

PROTECTION

The Views of a Manufacturer

G. BYNG.

PROTECTION



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THE VIEWS OF A MANUFACTURER

BY

G. BYNG



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PREFACE

THE Manufacturers of Great Britain have been taunted with a lack of energy, a want of enterprise, and with a leaning towards antiquated methods, which is alleged to be responsible for the decline of our industries.

This is an utter misconception of the true causes; and any remedies that may be attempted, based upon such erroneous premises, must prove worse than useless.

But these charges have been so freely made, and by men of public standing, that it is, in my opinion, time that they should be met, and I have decided to take up the challenge.

I am a Manufacturer.

My case is that of every producer in this country. My capital and business are imperilled; the living of the thousands of workmen I now

employ is at stake ; and if the safeguards for which I plead are denied me, I shall be compelled to cease to be a producer.

This volume is not a literary effort. It is a plain statement of facts and observations based upon the experience of many years. It is intended to appeal to every citizen, so that he may help in preventing, while there is yet time, the annihilation of that part of the community on which the prosperity of the Nation depends.

G. BYNG.

November 1901.

CONTENTS

CHAPTER I

HISTORICAL

Condensed History—A prophecy Page 1

CHAPTER II

THE MANUFACTURER

Refuting the Free Trade Theory : In a Free Trade country manufactured articles can be produced cheaper than in a protected country—Factors affecting the theory of Cheapness—Cost of production—Enterprise—Ministerial Criticisms—The Pasha and the fellah—Lack of security—A Matter for the Government Page 3

CHAPTER II—PART II

NO NEW INDUSTRIES

International competition between Manufacturers—No new industries for Twenty years—The Results—Stalking Horses—Invention—Scientific Research—Reaction of Industries and Invention—Early History examples—The Motor Car—New Tubing—Our Patent Laws—The Telephone Industry—How the foreigner is enriched Page 21

CHAPTER III

THE MANUFACTURER

Refuting the Free Trade Theory : Every man makes that thing which he can make best and cheapest—Beliefs of early Free Traders—England the Workshop of the World—The only manufacturing nation—The great hope of Free Traders—When the disadvantages began—Direct loss in declining industries—Sacrifices should be borne by the Nation—Englishmen as clever as foreigners—Education—Our Electrical Engineering Industry—Technical Education—The incentive which is essential for education . . . Page 51

CHAPTER IV

THE MANUFACTURER AND THE NATION

Refuting the Free Trade Theory : Imports must be paid for by Exports—Are we living on our Capital?—Downfall of Free Trade by its own disease—Great Britain under Protection—Over-Production and Under-Production—Results generally misunderstood—Over-production merely a temporary evil—Situation before the repeal of the Corn Laws—Cobden justified in asking for repeal—The mistake made by the early Free Traders—State of affairs during the second period—The readiness of the Foreigner—Adverse trade balances—Exports and Imports, 1856-1900—Lord Farrer's arguments and calculations—The Author's reply to Lord Farrer—Stock and Share Markets—Are we transferring our Securities?—A stock-broker's reply—Are we extending our Shipping?—Our

Invisible Exports—Our National Balance Sheet—Excess of Imports over Exports—Story of the Butchers and the Tailor—Our Income Tax—Our Government and Municipal Expenditure—The Taxation of Capital—Our Limited Liability Companies—The Manufacturer—The Nation . Page 68

CHAPTER V

THE CONSUMER

Refuting the Free Trade Theory : “ Free Trade means cheapness to the Consumer ” — “ Not Cheapness, but Abundance ” — Catchwords — Three Principles — Popular beliefs — Commodities made dearer by Free Trade — Competition — The “ Dumping ground ” of the World — New industries give foreigners the Whip-hand—Free Trade the arch producer of Waste — Facts known by the Public—How to assist the establishment of Protection in Great Britain . . Page 115

CHAPTER VI

THE MIDDLEMAN

Omnipresence of the Middleman—A Catechism—The Landlord and his Villagers—Free Trade sacrifices the Manufacturer to the Middleman—Our Shipping—Our Railways—Banking—Our Warehousemen and Merchants — Decline of the Manchester Manufacturer — The Middleman is everywhere — Our Geographical Position — Monopolists—Methods of the Middleman — The enemy of his country — Untruths — The Middleman in the Produce Markets—The fall of the Middleman — No Nation can live upon the Middleman alone — Confusion Page 135

CHAPTER VII

THE WORKING MAN

What has Free Trade done for the Workman?—What the Working man wants—Cheapness—Foreign Competition—Right of Combination—The Skill of the Workman—The Economic Struggle among nations—The Social Promotion—Healthy and clean surroundings—The Control of the Railways—Labour Unions—Why workmen have not called for Protection Page 164

CHAPTER VIII

AGRICULTURE

Effects of Free Trade in Agriculture—Views of a Landed Proprietor—Ruin of our agricultural industries a national disaster—We must protect our Agriculture—Landlords—Neglect of duty—One more opportunity Page 193

CHAPTER IX

RETALIATION AND RECIPROCITY

Periods in the struggle for existence—Mutual concessions—Power of Retaliation necessary to the existence of a nation—The only weapon with which one nation can fight another's tariffs—Reciprocity—Relations with Foreign Powers—The United States—The Penalty of using retaliation—International aspect of the Situation—A question of Politics and Diplomacy Page 198

CHAPTER X

IMPERIAL COMMERCIAL FEDERATION

Colonial Policy—Repeal of Navigation Acts—Annexation on the Cheap — “Trade follows the Flag” — New Markets—Desire for a Customs Union — Our position in Egypt — —Future of trade in South Africa—Our Colonial system doing grievous harm to our industrial classes . . . Page 206

CHAPTER XI

INACTION AND ITS CONSEQUENCES

Free Trade reacts upon the political and social situation—Lord Salisbury's attitude — Free Trade the Policy of Inaction — Iconoclasm—The aberration of a whole Nation—The Dangers of doing nothing—Our Government—Men of Action and Men of Words—Mr. Gladstone the destroyer—His legacy to his country—The People—The abdication of the Government—What Free Trade has done for us . . . Page 217

CHAPTER XII

PROTECTION

Negative Results of Free Trade—Effects of Protection—Immediate Gain—Our Imports—£100 a minute—When shall we have Protection? -- The Example of the Navy League—Protection and Revenue—No Risks—Mr. McKinley on Commercial Isolation — Extra Cost of collection — Historical Continuity — The Nation's self-deception — How we deceive ourselves—And attempt to deceive others—The Only Remedy —Protection for our Industries . . . Page 231

PROTECTION

CHAPTER I

HISTORICAL

He foresaw that the time would soon arrive when the people of these islands would curse the day when first their Government was entrusted to a temporising Free Trade Minister.”—*Mr. Miles in the House of Commons, 1846.*

Volumes have been written upon the history of Free Trade in Great Britain.

I will give the whole history in a dozen words and a diagram, thus:—

FIRST PERIOD. 1846-1875.		SECOND PERIOD. 1876-1900.		THIRD PERIOD. 1901-1912.	
+	-	+	-	+	-
All.	None.	50 per cent.	50 per cent.	None.	All.

To understand this diagram put the word *advantages* in place of + ; and *disadvantages* in place of -.

It will be noted that I assign to the first period 29 years, to the second, 25 years. The third period (which we have only just entered) I estimate at a much shorter space of time, say, 12 years—it will probably be less.

I realise that the onus of proving the correctness of this record of 66 years rests with me, a task which I shall endeavour to accomplish in some of the following pages.

I venture to prophesy that by about 1912 there will be no history of English Free Trade to record. There will be either *no Trade*, or there will be *Protection*.

CHAPTER II

THE MANUFACTURER

“Whenever the evil of the present state of things is pointed out to them, they, instead of replying, call us lunatics, or beat the great Tom-Tom of Free Trade in order to drown our voices. It is undoubtedly the fact, and I do not think that anyone can traverse the statement, that in one respect the apostles of Free Trade 35 years ago made a gigantic miscalculation when they said that if the country adopted their principles the rest of the nations of the world would follow their example.”—*Lord Salisbury at Newcastle, 1881.*

The community which is directly influenced by our Free Trade policy may be divided into four divisions, viz. :—

1. *The Producer.*
2. *The Consumer.*
3. *The Middleman.*
4. *The Workman* (who is both producer and consumer, but calls for special consideration).

The first heading should, for clearness sake, be divided into (a) Manufacturer and (b) Agriculturist.

I proceed to consider the *accepted Free Trade theories* in the sequence suggested by the above classification, and begin with three theories which directly affect *the Manufacturer* :—

I. In a Free Trade country manufactured articles can be produced cheaper than in a protected country.

II. Every man makes that thing which he can make best and cheapest.

III. Imports must be paid for by exports.

FREE TRADE THEORY : IN A FREE TRADE COUNTRY
MANUFACTURED ARTICLES CAN BE PRODUCED CHEAPER
THAN IN A PROTECTED COUNTRY.

This principle is one of the most fundamental laws of Free Trade :—

“A Free country has such advantages in production that it can compete with a Protectionist country even in the home market of the latter. There are many free and neutral markets, and in all of them a Free Trade country has advantages over a Protectionist rival.”—See T. N. Farrer. “*Free Trade versus Fair Trade*,” 1886, page 282.

It was proclaimed and preached by the earliest Free Traders during the incidence of what I have called the first period. Let us not forget that Richard Cobden, the accepted instigator of Free Trade, was himself a manufacturer, and that our free trade is eminently the outcome of the agitation and the desire of manufacturers, which shows that they must have been convinced that Free Trade would enable them to manufacture cheaper and better than they could possibly do under a system of protection. It was upheld by the men of the second period ; it is believed in by the Free Traders of the present day, and no wonder, because this theory once dropped there would be no reason for Free Trade at all.

Although there is no doubt that Free Traders claim for Free Trade other advantages besides cheapness of production, yet I believe that even the most convinced Cobdenite would have his faith thoroughly shaken could this law be proved to be either untrue, or contrary to the facts based upon our experience of Free Trade.

This law is untrue, and I think I shall be able to produce facts and arguments which must prove to any thinking man that this all-important and fundamental axiom of Free Trade is founded on fallacious principles ; nay, I will go even further,

and say that the reverse is the truth. In evidence of this I will demonstrate the following:—

That a manufacturer in a protected country can manufacture at a cheaper rate than a manufacturer in a Free Trade country.

As I have already stated, my proofs will be both fact and theory.

Facts.

If we read the newspapers we are positively overwhelmed by facts, all pointing in the same direction, which go to show that the manufacturer in protected countries is underselling the manufacturer who resides in this Free Trade country, and this is not in the case of a specific article only, but in articles of every kind and price. It might be urged that in certain cases the foreigner has some fortuitous local or natural advantage, but the vast range of articles which are affected by this principle gives us no option but to believe that there is some common single existing cause at work to which is due the existing anomaly which no one to-day attempts to dispute.

The real explanation of the phenomenon is the incidence of Free Trade.

The range extends from the penny article to that which costs thousands of pounds. If we go

to our ironmonger, to our chemist, or our draper — be he in Bond Street or in Whitechapel ; if we look around us in our houses, in our offices, or in our public places, we see on every side the same evidence, the same facts — articles of foreign production ; and if we ask why, we are told, “ they “ are made more cheaply than the English manufacturer can possibly make them ! ” It is not only the man in the street who has to look at a penny, not only the man with his thousands a year ; it is also the public bodies who handle public money — the money belonging to the manufacturer whom they forsake : — Our Government, our Municipalities, our Hospitals, buy, and are compelled to buy, these foreign-made goods. Cheapness is the main agency, but it is not the only one. There are others to which I shall refer later on. Let me repeat, it is our Free Trade that is responsible for this state of things.

I could enlarge on these facts *ad infinitum*, but I have so much to say to my readers that I will not inflict upon them details which they can easily obtain for themselves. There is, however, one consideration in connection with this matter which should supply material for thought to my readers. If our manufacturers cannot compete with protected goods in our own country, how can they hope to compete against them in our colonial and neutral markets ?

Theoretical Reasons.

The Free Trader sees the above facts before him, yet, such is his unreasoning belief in his dogmas, that, rather than ascribe their existence to the one cause they point to, he dismisses the thought from his mind and gropes in the dark to find all sorts of other causes. I expect I shall create a good deal of surprise if I prove by theoretical demonstration that the manufacturer in a protected country can, and does, produce at a cheaper rate than we can in our Free Trade country.

The basis of the theory of cheapness of manufacture is the following idea, often stated by Free Traders: *the cost of production of a manufactured article depends on three factors:—(1) the cost of the material; (2) the cost of the labour; (3) expenses.*

This may have been to some extent true 60 years ago, but it is not true to-day, as every manufacturer knows, because this reasoning leaves out one consideration which we may call the independent factor—The QUANTITY produced.

And in most cases this factor influences the cost of labour and expenses to such an extent that it entirely overshadows both. It is due to the application of power, and the enormous improvements in machinery compared with the mode of manufacture employed half a century ago, which depended mainly on manual labour.

With few exceptions this applies to every manufactured article of the present day. Whether it be an article produced for a penny or for £1,000, whether it is a screw or a watch, a piece of machinery, a piece of cloth, or a locomotive. This principle holds good to-day in every branch of manufacture. Whether it will remain so in the future is another question. It is quite conceivable that the development of manufacturing may proceed to such an extent that many articles may be produced exclusively in such immense quantities that the question of numbers may cease to have an effect upon the competitive cost of production.

In theories affecting trade, as in those concerning other topics, it is necessary to modify one's reasoning as times change. They are not so inflexible as Free Traders would like to make us believe, and this very lack of fixity in Free Trade theories is one of the greatest indictments against Free Trade.

Illustration by Example.

In order to illustrate in an elementary way this question of the three factors depending on another factor, that of quantity, I will give an example. Take the manufacture of a watch. In olden times the workman made one watch at a time, mainly with what we now regard as primitive tools. A watch 50 years ago used to cost ten times as much

as it does now. To-day watches are made by means of very costly machinery, the first outlay on which is heavy, and the manufacturer who puts down a plant costing many thousands of pounds is rightly said to be enterprising. After having obtained his machinery he has to provide a number of very expensive tools, and he has to recoup himself of his heavy expenses before he can sell a single watch at a profit. We will, for argument sake, assume the following arbitrary figures, which are in proportion to the items determining the cost of such an article as a watch, but would apply equally well to many other articles.

We need not consider the original cost of the machinery, but will reckon that the interest on such cost, plus the cost of renewals of tools and general expenses for one year, is £5,000. Suppose the manufacturer, after an examination of his home market, thinks that his probable demand will amount to 50,000 watches per annum, his calculation will be as follows:—

	<i>s.</i>	<i>d.</i>
(a.) Cost of Material - - - -	2	0
(b.) Cost of Labour - - -	1	0
(c.) Apportionment of Interest, Re- newals, and Expenses = £5,000	2	0
Cost of Watch - -	5	0

Now, the manufacturer, whom, one will assume, lives in a protected country, finds that there is a certain market in this country where there is no duty to pay, and where he is as free to deal as in his own home market, except in so far as he may have to meet with a larger amount of competition. He avails himself of this opportunity by putting in hand another 50,000 watches, for which purpose he may have to increase his plant. Such extra outlay on the increased plant and the extra supervision and expenses involved will be comparatively small, and we may safely put such extra cost at 20 per cent. of the first outlay, say, £1,000. The manufacturer's calculation for the second 50,000 watches will, therefore, be as follows:—

	s.	d.
(a.) Cost of Material, as above -	2	0
(b.) Cost of Labour, as above -	1	0
(c.) Apportionment of increased Interest, Renewals, and Ex- penses = £1,000 -	0	5
Cost of Watch -	3	<u>5</u>

Calculating in this manner, and putting the same margin of profit on in the foreign market as on his home market, say, 20 per cent., the foreign manufacturer can sell the watch at home at 6s. and in England at 4s. 1d.

I may here point out that the apparent cheapness in the English market does not invariably

occur, as the selling price of an article depends on many considerations besides that of mere cost. I shall deal with this when I come to speak of the Consumer.

But the Free Trader will say, "This mode of calculating is wrong. You must apportion to the entire output the whole of the yearly cost of interest, depreciation, and expenses; and therefore the calculation should stand thus:—

			s.	d.
"Cost of Material	-	-	2	0
"Cost of Labour	-	-	1	0
"Interest, Renewals, and Expenses				
= £6,000 (being the total sum expended in manufacture of 100,000 watches per annum)	-	-	1	2½
Cost of Watch	-	-	<u>4</u>	<u>2½</u>

According to this reckoning, the foreign manufacturer, who sells his watch in this country at 4s. 1d., loses three-halfpence on every one he sells, and that loss is made good by charging the home consumer more than he really ought to pay, *i.e.*, 6s. Does this really involve a hardship on the home consumer? I say, No. To maintain that it does is mere sophistry.

Let us assume that the foreign manufacturer has only one market—that in his own country, and that we close our doors to him, as he has closed his doors to us. Evidently he would sell, in such

an event, only 50,000 watches. He would produce only 50,000 watches, and accordingly they would cost him 5s., to be sold at a legitimate profit of 1s. at a price of 6s.

Thus this extra cheapness within the reach of the happy foreign manufacturer, calculate it as one may, is entirely due to the Free Trade market—that second market which we are good enough to place at his disposal.

The consumer of the foreign manufacturer's goods, in his own protected country, surely cannot complain that his manufacturer makes double the quantity and reaps the benefit therefrom. This consumer pays only a legitimate price, and is pleased that his fellow countryman, who has to support the State, and pay taxes, and re-distributes the wealth he thus obtains, makes an extra profit.

In other words, it is wrong on our part to contend that we must discriminate between the foreign manufacturer and the foreign consumer. To us they are one. The foreign nation—as a nation, no matter which part of that nation—is a gainer.

The whole of the argument advanced by the Free Trader is a poor and weak apology for reasoning.

Even should the foreign consumer be taxed too much, what consolation can it be? It is no compensation to a man who gets a black-eye that his opponent has slightly hurt his wrist.

But follow up the Free Trader. “After all, you

“ have proved that the English consumer gains
“ enormously. You have told us that the foreigner
“ has to pay in his own country 6s. for the same
“ watch that we get for 4s. 1d.”

There is much to be said on this point, but it will be better discussed when I come to speak of the Consumer. In the present chapter I restrict myself to the status of the Manufacturer, and I claim to have demonstrated—

1. That the cost price of an article depends mainly on the quantity manufactured.

2. A manufacturer with two markets open to him can manufacture larger quantities than the manufacturer with only one market.

Enterprise.

I have foreshadowed the conclusions at which I wish to arrive, and proceed to argue the matter on a parallel point.

My Free Trade friend says to me:—

“ You are right ; but the remedy is this : You manufacturers must manufacture in as large, or larger, quantities, as the protected manufacturer. Then, by your own argument, you will be able to manufacture as cheaply, or cheaper, than he who has not the blessings of Free Trade. You manufacturers must put down larger works, larger plant. You must be more enterprising.”

I entirely agree. There lies the whole crux of the matter. "Be enterprising." Write the word *Enterprise* in gold letters, let it resound throughout the country. One flaw, however, there is in your argument and advice; and this makes all the difference—a difference great as that between black and white, right and wrong, truth and falsehood. You are mistaking the effect for the cause. Let me put it straight: *want of enterprise on the part of the manufacturer is not the primary cause; the actual source of the mischief is Free Trade.*

It seems utterly inexplicable that such a simple matter, and one so obvious, should not be evident to every single person in this country. To me it seems so unnecessary to attempt to prove this proposition as it is to justify the statement that 2×2 make 4.

Tons of paper are daily covered with print in London alone, on thousands of matters. Yet the fundamental, all important, and most vital topic of all is never put in its true light. Are we blind, or do we not want to see?

Let me repeat; cheapness of manufacture depends upon the quantity made. The making of quantities depends upon the enterprise of the manufacturer. The want of enterprise is due to Free Trade!

To be enterprising, a manufacturer must have a modicum of security, sufficient to ensure him a

reasonable probability of enjoying a market where he can sell his production at a remunerative rate.

I contend that the protected manufacturer possesses this security and assurance—the Free Trade manufacturer does not. The protected manufacturer is, therefore, enterprising—the Free Trader cannot afford to be. Protection stimulates enterprise—Free Trade kills it.

The protected manufacturer has a sure market in his own country, and can gauge with reasonable certainty the quantities which his market can absorb. He can gauge accurately the competition which exists in his country, the advantage or disadvantage which such competition possesses, and from these data he can reasonably calculate, not only the size of the plant which he may put down, but also the profit which he is likely to receive in his own country, protected from foreign competition.

The Free Trade manufacturer is in no such favourable position. He has no market on the face of the earth upon which he can count with safety. His own market is open to the whole world ; he may gauge the quantity which his own market may be able to absorb, but he can never gauge the competition he is to meet. It is an uncertain, varying, unknown quantity. He must reckon, not only with the competition of his own countrymen, but he is also at the mercy of the manufacturer abroad ; and,

unfortunately, this foreign manufacturer can play havoc with the Free Trade manufacturer.

We know, in practice, that the foreign manufacturer can afford to sell at lower prices in a neutral market than in his own protected country, and I have shown that he can do so still at a profit to himself and at no hardship to his home consumer. The result of this is that the manufacturer in a protected country can now-a-days afford to put down a large plant which modern manufacture necessitates, in other words, that he can afford to be enterprising.

A Question to our Ministers.

A deputation of gentlemen interested in the China Trade called recently on Lord Cranborne. The Parliamentary Secretary to the Foreign Office did not give the deputation much satisfaction, but he dwelt upon the necessity for English traders to imitate their foreign competitors—to show energy and enterprise; and he reminded his hearers that business cannot be carried on without undertaking some risk.

Lord Cranborne hit the nail on the head exactly. What is wanted is energy, enterprise, and the taking of risks. But does Lord Cranborne know that he might just as well have asked the China traders to scale the Himalayas and bring down the moon? I

can hardly believe he knew, because this is not a matter for jesting or poking fun at. It is a very serious national question.

I should like Lord Cranborne to try a little experiment which would, I affirm, enlighten his intelligence on the subject of British traders, and enterprise, and risk. Let him doff his diplomatic garb and take up the commercial traveller's bag, and go to China and offer his English wares. He will be told by his expected customers that his locomotives, or steel rails, or electric machinery, or whatever his goods may be, are too dear and are not the quality or design wanted. He will also learn that the American, or German, or Belgian steel or machinery are cheaper and more suitable.

Then he will sit down and write home to his firm, and tell them that it is useless sending out travellers, and *futile to show enterprise* and take risks unless the prices and quality of the factory at home is right. No use trying to prune the branches unless the root is healthy.

Now Lord Cranborne will probably ask me why are we dearer than other nations, and I will answer him in his own words: "Because the manufacturers
" at home are not energetic, are not enterprising,
" and do not take risks." My answer will naturally provoke a further question, "Why not?" In order to bring my answer home to Lord Cranborne, I will give it in parable, and take the case of Egypt and

the fellaheen, with which he will doubtless be fairly well acquainted.

Before England had occupied Egypt, the fellah just tilled his ground, but made no attempt to improve it. He was not enterprising. He knew that he had no security, and that the Turkish pasha might any day come down on him and seize the fruits of his labour.

Now the fellah not only tills his land, but he cultivates and improves it by every means in his power, because he knows that England will protect him from the pasha—in other words, he knows that he has a security.

The fellaheen are the English manufacturers, the grounds are our factories, the pashas our foreign competitors.

Take, for instance, steel, about which so much has lately been written. We have been told that the English manufacturers of bridges wanted 30 per cent. more than the American. The English cost is, say, 15; the American can make it for 12. The English wages are lower than the American, and we are told rightly that it is all a matter of bigger plant, modern machinery, and labour-saving tools—all costly, all the outcome of initial enterprise on the part of the manufacturer.

Now let us assume that an English bridge or steel maker says: "I will be enterprising like the American. I will put another two million into

“ my works to lay down a plant as big and as
“ modern as the American ; I shall then be able
“ to produce steel at 12 as easily as he can do.”

Assuming the English manufacturer acts on this idea, he duly produces his steel at 12, and immediately the American offers his at 10, and thus again undersells him. The Englishman will thus lose the fruits of his two million enterprise. What assurance, what security, has the Englishman against the pasha?

It may be urged that, in order to do this, the American may be selling at a loss, or that he must make his own people pay for it, and that it cannot be continued for long. That he does it, however, is beyond question, and, more than this, he seems to get richer and richer by doing it.

Do the above facts not demonstrate that the manufacturer who is enterprising and willing to take risks must have security that the first fruits of his labour and capital shall not be taken away from him?

Has the Englishman this security?

He has not.

And I ask Lord Cranborne, as a member of the Government—

Is the manufacturer of Great Britain less worthy of the protection and the security which the British Government so readily bestows on the fellah of the Nile?

CHAPTER II—PART II

NO NEW INDUSTRIES

“In ingenuity, in skill, in energy we are inferior to none.”—*Sir Robert Peel introducing the first Free Trade Bill in the House of Commons, 1846.*

The result of the fierce competition between manufacturers who are helped and protected by their Governments and our own manufacturers, whose efforts are restricted by the ordinances of Free Trade, cannot fail to be disastrous. The deadening influence which this self-imposed incubus carries in its train becomes more apparent every year. Many of our one-time prosperous manufacturers have had to give up the struggle, while others seek refuge in turning themselves into combinations or limited companies, but all alike are working at reduced profits, which barely suffice to keep the works going. There may be some exceptions, but these owe their salvation, not to their intrinsic vitality so much as to the fact that they have not as yet been attacked by their

foreign rivals, who may not be ready, or who may not consider their particular branch of industry worthy of attack.

I may, perhaps, except from this statement the *Cotton Industry*, which, so far, seems to hold its own. I do not pretend to any expert knowledge of this trade, and should much like to know the views of some cotton manufacturer on the question of foreign competition. Should it be affirmed that this particular industry is able to maintain its own against its protected rivals, and I readily admit that this may possibly be, then I affirm that it is only a case of the exception proving the rule. The vast industry in cotton goods which has been developed in this country has attained such dimensions as to enable the manufacturer to turn out his wares on the larger scale, and in this way it comes under the law, already explained, which permits the quantity manufactured to determine the cheapness at which the article can be produced.

Reflect upon our steel and iron industries, our machinery, bridge building, and brass trades, in all of which we long held the lead, whereas to-day we take a second and even a third rate place in the markets of the world. Our silk looms, once noted for turning out the finest material obtainable, have long been silent, and if we would know the truth as to our woollen trade, we have only to

note what Lord Masham says on the subject. Where will the remains of any of these industries be ten years hence? And, saddest of all, what of our agriculture, which we have so foolishly, nay, criminally, sacrificed to the Moloch of Free Trade?

All this is realised by thinking people. But I have another, and a still severer indictment to urge against Free Trade, the enormity of which few among us appear to realise, and which does not seem to be appreciated by the country at large.

I refer to the fact that no new industry has been introduced or developed in this country during the past twenty years. Does the reader understand what that means?

I have no personal prejudice against the supporters of the Cobden School. I hope that they will all enjoy long life—as converted Protectionists. At the same time I should like to see them learn the awful error of their ways, and to realise the burden of responsibilities they are accumulating on their own devoted heads. I picture such as these deriving enlightenment in the form of a nightmare in which they are beset by little devils, each of whom bears a board on which appears in letters of fire—

No New Industry for Twenty Years!

And each little devil would, in turn, advance to the dreamer and whisper in his ear one or other

of the truths for which the incidence of Free Trade is responsible.

“From an *Historical* standpoint it is worthy of remark that no new industry has been introduced or started in this country for twenty years,” says the first, who, in turn, is succeeded by the second little devil, who mutters—

“*Economically*—the foreigner gets all the profits.” To him succeeds a third with the sentiment,

“*Intellectually*—our brains are getting numbed, having had neither food nor exercise for so long a period ;” and the fourth, more didactic than the rest, asserts—

“*Socially*—skill and knowledge are leaving us, both masters and men.” Then others follow one another, each with his contribution.

“*Physically*—we suffer from being compelled to tinker away at the same old things.”

“*Morally*—we are descending to a lower scale of creation and losing all claim to originality and design.”

“*Educationally*—we have no learners, and if we had we know not what to teach them ;” and so on, until the restless sleeper is aroused by the bitterness of the taunts hurled at him and awakes to find that it is but a dream, but one which

contains much food for cogitation, and more encouragement to reform.

If the awakened dreamer has any intuition he will profit by his vision. He will be astonished that we endure all these ills, and recognise how great is the error of judgment which prevents our ending them. It would need only a recognition by our Government of the trend of events, and a realisation of their manifest duty to protect the country's interests. But the people will not see, and we muddle on, without making any attempt to stem the drift of circumstances, and unconscious of the fate which is in store.

A Challenge.

I challenge anyone to point out a single industry in this country which has taken root, and has grown and flourished during the past 20 years. I do not dispute that we make a few motor cars, that we have produced a limited number of dynamos, and electric motors. We are responsible for domestic telephones, and I have heard that there is such a thing as an English-made typewriter. We boast also of certain much-belauded and over-advertised remedies for human ills, which are undoubtedly of English origin, but anyone who realises what is going on in the rest of the world

will agree that these things are trivial—that they are pigmies compared to giants. They will agree that such attempts cannot be called industries. Compared to the achievements of other countries, our establishments are as backyard workshops to colossal factories.

The marvel of it all is that the *status quo* should be possible in what is generally held to be *the* age of progress and invention. *Science has achieved more during the past twenty years than in the previous 200*, and all the countries in the world have rivalled one another in their display of intellect and invention—all except Great Britain.

Stalking Horses.

If it were possible to impress the true incidence of the existing situation on a dozen prominent Free Traders, each would supply a reason which he would insist only required to be removed to put everything right again. All sorts of reasons would thus be advocated—but the right one. We should be told that the situation was due to the want of technical education. We should be given an assurance that the responsible cause of our ill-success was over-legislation. And the inefficiency of the Patent Laws; the failure of the Bankruptcy Acts; the illicit privileges accorded in Vested

Rights; and ultra-conservatism, with other similar stalking horses, would be suggested as the real factors to which the decline of our prosperity was due. I do not deny that these are in a sense contributory causes of depression, but they are entirely secondary. The primary, main, and all-pervading factor is our system of Free Trade.

Free Trade has deadened all our old industries, and will not allow new ones to be born. The reader may enquire how is it that this Ogre of Free Trade, whose champions are such kind and benevolent gentlemen, manages to achieve such mischief to our prosperity?

I will explain.

Invention.

There is a popular belief that the inventor is a favoured mortal who obtains his inspiration from some good fairy in the clouds. As he walks along the green lanes of a country village, he happens to notice a bird pouncing down on an innocent insect as it crawls along the ground, and this starts his fervid imagination, and he thereupon invents a means of obtaining perpetual motion.

This is mere fiction. The actual process of invention is conducted on an entirely different

method. The inventor is, to begin with, rarely the originator of the idea at which he works. As often as not he is employed in a great factory, where he works surrounded by rows and rows of lathes and machines, belting and wheels, amid a constant din of banging and scraping and whizzing noises so insistent that one can hardly hear another speak. In the counting-house above, sits the master of all—the capitalist, the manufacturer. He is absorbed in thought and there is a frown upon his forehead. Presently he touches an electric button and calls through the telephone, “Send up Smith, the foreman.” When Smith appears, the master says, “Smith, that old oxydised silver band of ours won’t do. It doesn’t sell any more. It is much too dear to sell at 1s. If we can make it to sell at sixpence, we may be able to put thousands on the market. There is only one way. You must get out a new machine to do it.” So Smith is ordered to invent a new machine. Now Smith does not go into a country lane in search of inspiration. He goes to the drawing office and gets out some designs, and these he takes to the foundry, where he has castings turned up, and tries them this way and that way, and experiments for weeks and weeks, until at last he hits upon what he wants. Thus is the new machine invented by Smith, who reaps his reward in a well-earned rise in wage.

It is in the factory that, in the regular course

of industrial enterprise, the necessity for some improvement, some new process makes itself known, and the resulting invention is the outcome of much careful thought, hard work, and continued experiment, aided and supported by the enterprise and capital of the master, and fostered by the prospect of gain and profit.

Scientific Research.

There are, of course, some inventions which are the result of purely scientific research, or the advent of some happy inspiration, but these are few and far between—hardly one in a thousand. Among all the innumerable inventions which have been brought out in connection with electrical science, I know of but few that could be classed in the latter category. They could be counted on one's fingers. Compare, for instance, the invention of the telephone by Graham Bell with the invention (or, more correctly speaking, the improvement) of the Incandescent lamp by Thomas Alva Edison.

Graham Bell, in the course of his profession, studied the action of sound waves upon the tympanum of the ear and nerve centres of the brain. It occurred to him to substitute for the human tympanum and brain a mechanical device of iron in conjunction with a magnet and electric wires.

The result of his experiment was the initiation of the idea of the modern telephone, a discovery which was independent of the demands of any trade, and, no doubt, Bell would have invented the telephone in whatever country or amid whatsoever surroundings he had chanced to live.

Of an entirely different nature was the invention of the Incandescent lamp.

This invention is popularly credited to the genius of Edison, and I take this opportunity to correct the error. It was not Edison but J. W. Swan, of Newcastle-on-Tyne, who devised the idea of the carbon filament, and I make this statement in spite of the judicial decision of the courts and popular belief. At the same time, I am willing to accord to Edison the credit of having made the Incandescent lamp on a commercial basis.

The perfection of the dynamo machine heralded the introduction of the automatic arc lamp for electric lighting purposes. Great as was the improvement thus brought about, the new illuminant was far from perfect, and the desirability of subdividing the light was apparent. The incentive of reward was great, and many scientists began to experiment in the hope of finding some substance which would serve the required purpose. Edison was among the first of these. The record of his prolonged experiments is chronicled in the archives

of the Patent Office. He toiled for months with platinum, until happening to read a report of a lecture delivered by Swan, in which he described his experiments, Edison turned to carbon, and perfected the carbon filament. Thus we see that Edison's "invention" was no inspiration. *It was the result of the demands of a new industry*, and this is the case with the vast majority of inventions.

Reaction of Industries and Invention upon each other.

Industries go hand in hand with invention. The country which has the largest and most go-a-head manufacturers will produce the greatest number of inventors. In times gone by, when England was at the head of industrial nations, by far the greatest inventions fell to her share. To-day she is left far behind in the race of brains. Nations with protected tariffs, which were supposed to stifle progress, are now occupying the place she at one time filled. It seems strange that such principles as Free Trade or Protection should influence brains, but so it is, and it is curious and instructive to note the intermingling of Industry and Invention, which invariably react upon each other, the prosperity of the former always promoting the prosperity of the latter, and, on the other hand, the decline

of either will inevitably drag down the other with it.

All these facts tend to show that the pre-eminence of England in the field of invention is gone, and it becomes evident that England has subsided to a very low position in the competitive scale.

The number of nations whose intellect, civilisation and education have been steadily advancing during the record half of the 19th century has vastly increased. It includes the whole of continental Europe and a considerable portion of America, and with a total population of approximately 200 millions, England with her 40 millions compares with the rest on the ratio of 1 to 5.

These facts point to the conclusion at which I want to arrive—*That Inventions and those new industries they carry in their train are now-a-days almost exclusively started in foreign countries, and that of every six introduced, at least five emanate from abroad.*

Due to our own actions.

Nor need we wonder at this condition of things. What have we ever done to attract new industries to our shores? We have done nothing. Nay, further than that, we have done everything to repel them.

History repeats itself, and is therefore our safest teacher. We cannot afford to disregard its lessons. There are people who imagine that the present generation is cleverer than our ancestors were. They are mistaken: the human brain of to-day is no weightier than it was at any previous period.

Early History.

From the earliest times in the history of this country attempts have been made to attract foreign industries, and to protect our own. In the 13th century Simon de Montfort forbade any cloth to be worn that was not of English make. Edward I. offered in 1303 to grant licences to foreign merchants desiring to trade with this country. Richard II. ordained that the export of British goods should be restricted to British vessels. Edward III. encouraged, by duties and privileges, a number of Flemings skilled in the art of making cloth, to reside in England, a policy which was one of the chief causes of the rise of the English cloth trade in the 16th century. In response to the representations made to Edward IV. that considerable injury was being done to English Trade by the importation of foreign goods of better quality and workmanship, that monarch placed restrictions on the importation

of many articles of foreign manufacture. Acts forbidding the importation of foreign goods, and restricting our markets to British vessels have been in force on many occasions, while the various restrictions enacted on the importation of corn, tended to protect the agricultural interest.

The Free Trade school which arose in the early forties, seems to have been above the teachings of history. They not only could not see the signs of their own time, but pooh-poohed the lessons of former generations, a fact almost unique in our annals and which deserves more recognition than it has found so far. *England was one of the most protectionist nations in the world*, and the prosperity of her manufactures during the first half of the last century supplied ample evidence of the benefits which that protection carried in its train. The true bearing of our then existing system on the prosperity of the country was wasted on the party of "Reformers." Cobden kicked the ladder when he was at the top and the result is to be seen to-day on every side.

Do we invite the foreign inventor and manufacturer to settle, and build and work in our country; to teach our workmen, to pay our taxes, to enrich our nation? Do we protect him, foster him, tempt him with bounties and subsidies? Do we give him rewards and privileges as our forefathers have done—as America and other nations do to-day?

We do not ! On the contrary, we bribe him to stay away. We open our markets to him so that he may concentrate upon one spot abroad all his big undertakings, and reduce his average expenses and increase his profits. We give him cheaper freights, and handicap against him our own manufacturers. We pay him our money, and teach him our wants—we create for him our middleman, about whom I shall discourse anon.

Examples.

Let us take a few examples. The *Motor Car industry* is a large and growing one. Its origin and development are mainly French. Englishmen, from our King downwards, are large customers. I know two manufacturers near Paris who have more than doubled their works in order to cope with the demand from England. The Frenchman establishes an agency in London and invests in a few screws and accessories : he may even go as far as to establish a repairing shop. The distance is no object, indeed it is an advantage, for the cost of carriage between Paris and London is less than that from Manchester to London ! He has his whole works under one roof. He thus saves in supervision and expenses ; and we make everything very simple and remunerative for him. He has to pay no income tax or other rates or taxes in this

country, like our English manufacturer, and he furthermore escapes the disadvantage which he would have to face, were he to manufacture over here, of having (horror of horrors) to learn the English language.

Now, look on the other side of the picture. Suppose we were to put a duty of, say, 30 per cent. on the importation of motor cars. This would encourage the English manufacturers, who could no doubt sell at less than the Frenchman's present price, plus 30 per cent., and the average Englishman could not afford to pay this inflated price. The result to the Frenchman would be, that he would either have to reduce his price and thus indirectly help to pay our taxes, or he would lose his English market. Of two evils he would chose the lesser. He would start a motor car manufactory in England. He would buy land, bring over his draughtsmen, foremen, and skilled workmen. He would employ English mechanics and labour. He would teach them, and thus form the nucleus of a new industry.

It is true the profit of such a Franco-English factory would go to Paris, but we need not mind that, as it would be insignificant compared to the advantages it would carry in its train. Other English manufacturers would draft workmen from the nucleus thus created, and I predict that within a few years' time, motor cars would be made in

England, as well and as up to date as in France. Not only so. They would, probably, be made much cheaper, because, assuming that our Colonies are included in a customs' union, we should have a much larger field for our cars than has the Frenchman in his restricted market, and, therefore, could make larger quantities.

Another Example.

Let us now consider another instance. We will take the case of the Englishman who seeks to start a new industry in this country. I quote a case which is one of many in which I have been personally interested. In 1895 an American inventor brought out a new kind of tubing. It was well received, and largely imported into England, and to a lesser extent to continental countries. No valid patents restricted the making of the tubes, but the original inventor of the machinery came to Europe, and made an offer to me, and another to a manufacturer in Berlin, whom I will call Mr. R. The American frankly stated this to both of us, and added that he had no control over the American manufacturers, who might or might not import into Europe. The proposal offered to me and Mr. R. was in substance as follows:—"If you will build a suitable factory
" I will send you my machinery, and teach your

“ workmen to manipulate it. In return you will,
“ after deducting expenses and interest, give me
“ half the profits. The capital involved will be
“ about £20,000.”

After much and careful reflection I had to decide to decline the offer. Mr. R., in Berlin, accepted it. I know Mr. R. and his resources well. I claim to be as energetic and perhaps as clever as he. I know I have the advantage in resources, as my firm could afford a speculation involving the amount named more readily than could Mr. R. The reason for my declining the proposal is easily explained. In the case of Mr. R., he had a protected market in his own country, in which he could place tubing to the amount of not less than £50,000 per annum. He knew that his profit on this sale would be at least 15 per cent., and that therefore his risk would be small. He also knew that there was a free market in England, and that any surplus of production, which would cost him less, might be placed in this free market in competition with America and England.

In my own case I reasoned as follows:—The English market is open to the American, and will shortly become open to Mr. R. of Berlin. My experience tells me that they will both sell at a lower price than mine, whatever my price may be. I realised, therefore, that I had no security whatever of being able to make a sufficient return

on the outlay involved, and while appreciating to its full value the machinery offered, I felt compelled to abstain from the investment owing to the economic conditions which tie the hands of the manufacturers in this country. At present England is buying large quantities of the new tubing from Mr. R. of Berlin. Germany has gained a new industry. England has not.

Our Patent Laws.

A chapter on New Industries and Invention would be incomplete without a reference to our *Patent Laws*, and I may mention that though I have met with many criticisms of these enactments, I have never yet seen an exposé of what I consider their principal shortcomings.

The ostensible object aimed at by patent laws is not, as is generally supposed, to grant protection to an inventor in order that he may enrich himself. It is rather to prompt him, in return for a grant of protection for a period of 14 years, to teach others how to make a new article, and to establish a new industry for the ultimate benefit of the whole community.

Our present law fails utterly in achieving this desirable aim. Indeed, it tends in the opposite direction, inasmuch as not only does it not bring us new industries, but it actually keeps them away,

and even tends to foster foreign industries at the expense of our own. Our patent law may, in short, be said to conspire with our Free Trade system in restricting the development of new manufactures in this country, and the combination of the two re-acts in a most damaging way on our national industries.

Among the various shortcomings of this law, the most marked is the omission of a clause compelling a patentee to manufacture the article, for which he has been granted a patent, in this country within a certain period. This requirement is enforced in other countries and produces excellent results.

It is true that Mr. Chamberlain, in framing his patent law, had this end in mind, and he sought to meet it by his so-called "compulsory licence clause." Experience has, however, shown that the provision is unworkable. I have repeatedly endeavoured to put this clause in motion without success, and I do not think that it has been made effective in half a dozen instances.

We give a man protection against the whole population for 14 years in return for the payment of a paltry sum, and he is thus enabled to "hang up" the invention, and refrain from making a single shilling in the country that protects him. Objectionable as such a course is, in the case of an Englishman, it is far worse when followed by a

foreigner. And the foreigner is the most frequent offender. He rarely works his patent in this country. I can state from actual knowledge that out of ten inventions, for which patent rights have been granted to a foreign manufacturer, only one is being made in this country. A new invention may possess vast possibilities ; it may even revolutionise a whole industry ; but it need not benefit the people of this country, as during the whole of the 14 years over which protection extends it may be manufactured abroad and imported into England, to the profit of the foreign patentee and the chagrin of the British trader.

The way it is done.

The process adopted to attain this end is usually as follows :—

A foreigner obtains a patent over here. He comes to England and sells the patent, usually with the aid of a professional promoter, to a company in which the gullible public is cajoled to invest. Occasionally some show is made of manufacturing the patented article in England. More often, however, this is not even attempted ; and when it is, the combination of the operation of our Free Trade system, with the atrocious mismanagement customary in a limited company, tends to restrict the out-put, and compels the undertaking to be

carried on at a loss. The venture is destined to fail from the very outset; and then the company holding the patent in this country is driven to buy the patented articles from the patentee or his agents abroad. These foreigners then get a double profit—first on the patent, and then on the goods supplied—all out of the Englishman's pocket.

I can point to hundreds of such cases; to instances of dozens of industries which have thus been smothered.

As a case in point I will take the telephone industry, which is alike important and full of possibilities, and this supplies a notorious example, which is instructive. I therefore propose to devote a few pages to a summary of its history.

The Telephone Industry.

The manufacture of telephones in this country was controlled by two patents. That of the receiver, invented by Professor Alexander Graham Bell, and patented by him in 1876, and that of the microphone transmitter invented by Thomas Alva Edison in 1877. On the 23rd August 1878, Sir William Preece, the then chief of the Post Office Telegraphs, exhibited before the British Association at Plymouth the first completed telephone ever seen in England, and very shortly after telephones were made in this country. It may be noted here,

that though undoubtedly an American invention, the telephone *industry* was started in England, and the instruments were made in considerable numbers in London, Woolwich, Manchester, Halifax, Dartington, &c. Improvements were made by Hughes, Hunnings, Moseley, and many others, and the telephone rapidly took its place as a necessary adjunct to our civilisation.

The apparatus was freely sold in this country, as also in our Colonies; and many foreign countries bought them of us. It was the beginning of a mighty industry that promised to develop and bring many millions annually into the pockets of the English manufacturer and workman. This promising industry was, however, destined to be strangled. It was not killed by competition, it was smothered by the English laws.

The patent rights were sold, and after passing through several hands fell into those of the United Telephone Company, a combination of the Bell and Edison companies formed in July 1880. This company made a show of manufacturing telephones, by means of a subsidiary organisation, in Farringdon Road, London, but, for reasons which I have already explained, the attempt was a failure. And the English manufacturers who had inaugurated the industry—how were they treated? The gratitude of the country for the starting of a new trade was shown by the passing of lawyers' letters, the

issue of writs, and the serving of injunctions. The manufacturers were harassed, and pestered, and prosecuted. The archives of the Law Courts tell tales that would make the hairs of the average Englishman stand on end, if he only knew their true significance.

An inspection of these records will show how prejudicially the laws of this country re-act upon our commercial progress. The cases of the United Telephone Company *versus* Walker, the same *versus* the New Telephone Company (which adopted Professor Sylvanus Thompson's patents), afford disclosures of a system of conspiracy for repression, alike of individual effort and trade development. All the great lawyers of the day were occupied in contesting alleged infringements of patents at the suit of this gargantuan monopoly. The present Lord Chief Justice, Lord Alverston, then Sir Richard Webster, Mr. Fletcher Moulton, Mr. Bousfield, and many other eminent advocates could afford evidence of a persistent conspiracy aimed at the crippling of an enormous industry which was seeking to establish itself in this country.

The methods employed by this monopoly in the securing of its aims were often contemptible. Detectives were employed by the Company to spy upon manufacturers suspected of making, or dealing in, the forbidden wares. Men were bribed

to obtain telephones under false pretences, so that the holders of patents could prosecute ; and respectable men, such as Mr. Dale, an electrician trading in Ludgate Hill, were actually put in prison for having manufactured a few telephones. My repeated applications to Mr. Morgan, the then manager of the United Telephone Company, for a licence to manufacture telephones at my works, were refused, though I offered to pay a heavy royalty.

While thus hounding down respectable British manufacturers, who were only too anxious to supply the Company with telephone accessories, the United Telephone Company sent every order for their requirements to Chicago or to Antwerp. Almost every piece of apparatus came from America : not only the actual patented article, but all the hundreds of accessories connected with it. The money paid to American firms must have amounted to a prodigious sum, and it continues to the present day.

But this mere fact is not the most serious part of the situation. It might be urged that a few millions sterling is no great matter to the richest nation in the world. I admit that the money is not everything. But the wrong done to the commercial interests of this country does not rest there. It is the teaching, the experience, the enormous start, which it gives to our rivals. It would take

many millions to pay for that ! We not only throw our own money and experience into the lap of our rivals, but we suffer our colonies to fall into their hands (commercially).

I shall never forget an interview I had with Mr. Tod, the then Telegraph engineer of South Australia. He was sent to this country by his Government to buy Telephones in England. He came to me to place an order. I had to tell him that we dared not make so much as a carbon pencil, much less a transmitter, in this country, and advised him to go to America. I shall never forget Mr. Tod's look of disgust, or his language. He was a patriotic Scot, and unused to the pettifogging methods by which we sacrifice our trade in this country.

There is one feature in the history of the Telephone which would give material for thought to our rulers, if they could spare time for such trivial matters as English industries, or such inferior individuals as British manufacturers. It is this :—The Telephone patents were American, taken out in England. The same patents were taken out in France, Germany, Austria, Italy, and other countries. For fourteen years the industry was moribund in this country, while in other countries it was alive, and telephones were made by the million. Why was this ? Let our rulers reflect !

*How our Government helps to enrich the
Foreign Manufacturer.*

At midnight on the ninth of December 1890, the last of the Telephone patents lapsed. The Privy Council did not renew them. Even British benevolence towards the foreign inventor has its limits. And then, at the instant, the English manufacturer was expected to wake up; to be energetic, and enterprising, and at one bound to rival and defeat the foreign manufacturer who had enjoyed a start of 14 years. The press, our rulers, public opinion, all expected it; and still expect it!

On the 6th of March 1899, Mr. Hanbury introduced into the House of Commons the Telegraph Act which was devised to deal with the question of Telephones throughout the country. He asked Parliament to vote a preliminary sum of £2,000,000, which was duly granted. In his speech Mr. Hanbury said:—

“Hitherto, what I believe might be a great trade, has gone abroad. I hope that we shall get such a competition that a trade for making telephone instruments and the rest of it will be established in this country, and that we shall not any longer have to make our purchases abroad.”

Mr. Hanbury's well meant homily must have struck a ray of comfort amid the dismal surroundings of the House of Commons, but on those who,

like myself, are behind the scenes, the effect was of a very different nature. It was the case of Tantalus over again. We thirsty manufacturers, although offered the longed-for draught by Mr. Hanbury, realised that immediately we tried to drink the proffered cup, it would be snatched out of our hands by our rivals. Mr. Hanbury should have known that this would inevitably be the case unless he supplemented his pious wishes by the insertion of a clause in the Act, requiring that all apparatus and accessories requisite for the construction of the governmental system of telephones must be manufactured in England. Anyone connected with the electrical industry could have told him that all such material can be manufactured as well in this country as abroad.

It might have involved a few pounds of extra outlay to the Government. It might have involved a brief delay, and an extra amount of thought and care on the part of the technical staff of our Post Office, but all this would only have been at the outset. Once done the English manufacturer would have been as well equipped to cope with the requirements of the department as is the foreigner. The English Telephone industry would have had a well-earned impetus, and for once our Government would have done, without any cost or trouble, what is daily done by foreign Governments to assist native enterprise.

Mr. Hanbury was probably afraid of incurring the wrath of our Free Traders who would have raised the cry that monopolies were being created. In their eyes it would have been a crime, it would have traversed all their pet theories, it would have been rank sacrilege to give a British manufacturer even the suggestion of an advantage over his foreign rivals. Mr. Hanbury perhaps did not realise that in thus refusing even the slightest suggestion of help to us, he was strengthening the monopoly which Americans hold in Telephones. What is actually happening to-day is this. The balance of the £2,000,000 voted by Parliament which is not sunk underneath our London streets, is finding its way into the pockets of the American manufacturers. All that we in England get for it, is the equipment of a comparatively few exchanges. As many more exchanges will have to be equipped, the American manufacturer will obtain all the repeat orders. He knows he has the monopoly, and he charges accordingly. If Mr. Hanbury thinks that we have at least the advantage of cheapness in going abroad, I will undeceive him. We are and shall be paying millions too much. By the first outlay of a few thousand pounds, he could have broken that American monopoly in England: he could certainly have created competition, which is the very essence of cheapness.

This extract, from the record of the Telephone

in this country, must demonstrate to the merest tyro how our unthinking legislators manage, in spite of their always benevolent intentions, to prevent the establishment of new industries in our country.

This medley of Telephonic History must strike upon the ears of my readers like the strains of a funeral march. I could play a hundred variations in connection with other industries, all giving the same tune—*how we succeed in killing our own, and promoting foreign industries.*

CHAPTER III

THE MANUFACTURER

“Iron and Coal, the sinews of manufacture, give us advantages over every rival in the great competition of industry. . . . Is this country to stand shivering on the brink of exposure to the healthful breezes of competition?” — *Sir Robert Peel in the House of Commons, 1846.*

FREE TRADE THEORY : EVERY MAN MAKES THAT THING WHICH HE CAN MAKE BEST AND CHEAPEST.

This is one of the earliest of the theories which were adopted by Free Traders, a theory which has exerted a most pernicious influence over the trade of this country. Another mode of expressing the same principle is as follows :—

A manufacturer who cannot make a given article as well as another manufacturer, will devote himself to the preparation of some other article, which he is better fitted to make.

Among the believers in this piece of casuistry was that greatest of all sophists, Mr. Gladstone. This extraordinary man could with marvellous eloquence, every word of which was forgotten the day after his funeral, prove that black was white, to his own satisfaction and the confusion of his listeners. When the complete history of Free Trade comes to be written by posterity, its blackest page will be that in which is chronicled the record of Mr. Gladstone in connection with it.

To understand how such a law came to be framed, we must go back to the early history of Free Trade. A perusal of the speeches and writings of the early Free Traders shows us that these worthies honestly believed that England was the predestined "workshop of the world," and they further assumed that it was destined to remain the workshop for ever.

At that period England was practically the only manufacturing nation. Coal and iron, the basis of manufacturing processes, were close at hand, and plentiful, and cheap, and Englishmen thought that they had the monopoly of coal and iron! The masters were enterprising, the workmen skilful, and the inventors busy. All the world was eager to buy our wares. The people of other countries were meanwhile mainly occupied in the pursuit of Agriculture.

In the view of our predecessors, it was provi-

dential that the soil in those foreign lands and colonies should be used only for the production of wheat, cotton, potatoes, and raw material, and that England's soil should bear the chimneys and factories to work those products of other countries into manufactured articles.

Richard Cobden and his followers set about assuring these foreign nations that this division of labour was for their good ; for the good of humanity for ever and ever.

The great hope of Free Traders.

The course pursued by the Cobdenites was only a means to an end. They believed that if once England led the way all the other nations would follow her example, and become Free Traders !

But the other nations did nothing of the kind, and, so far from imitating us, they one and all piled on the duties against our country. And when the Free Traders found their prognostications falsified, they strove to re-model their arguments, which have been twisted and turned at frequent intervals ever since they were first proclaimed. How can an axiom which requires periodic readjustment be regarded as trustworthy ? A doctrine which is founded on logical premises,

and is true, holds good for all time, and does not need adjustment. The application of this principle to the cult of Free Trade will demonstrate, out of the mouths of the accredited experts, that Free Trade is a false religion, a religion which has long been played out and is moribund.

I have heard of a man who, in order to demonstrate a certain theory of his, jumped from London Bridge. The man was drowned, and the world remained unconvinced. So it is with us. In order to demonstrate our theories and to prove that we ourselves believe in them, we have thrown away the weapons requisite to enable us to obtain success in the struggle for commercial prosperity with the rest of the world. Our attitude, and the display of misplaced confidence it betokens, makes our rivals smile, but does not cause them to alter their conduct. The result is—we are drowning, while the world remains unconvinced.

The opinions held by other countries, respecting our folly, supply instructive reading.

When the Disadvantages began.

When England entered upon the second period of her Free Trade career the disadvantages, which were absent during the first period, began to make themselves felt. These disadvantages were, *the*

keen competition of foreign manufacturers, and the protection afforded them by their governments. When one after another of our industries was attacked and damaged ; when important industries began to succumb to the enemy, the Free Trade apostles in this country deemed it necessary to take measures to uphold the faith of their flock. They could not of course deny facts, but they set about minimising them. And they twisted and altered and reconstructed their theories to suit these facts. By these means they found in every fresh failure nothing but food for congratulation ; every succeeding disaster was hailed by them as a Heaven-sent tribute to the correctness of their views.

Thus, while the Free Traders blindly clung to their theories, many industries went to ruin. Our silk manufacture, which had been an unceasing source of wealth ever since the advent of the Huguenot refugees, who settled in this country in 1688, and taught the English weavers their trade, declined and disappeared. Our anilin dye works, an industry which had been started in this country, became annexed by the enterprising foreigner, and so on.

And the Free Traders sought to justify their attitude by repeating the fallacy :—

“ If a man cannot produce an article as cheaply as another, he will make something he is better fitted to make.”

Imagine, we in England are not fitted to make butter or produce eggs, or make silks or pianos ! According to the Free Traders' theory, we must therefore make something else ! But our mentors do not tell us *what* that something else is to be ; or what is to become of the workers displaced by the disappearance of our lost trades. They never took the trouble to enquire thus far. The pseudo argument they advanced sufficed for them. To fight against it was no part of their duty. They did not know, and lacked the desire for knowledge.

But I know what became of these disendowed producers. I will tell the story in another chapter.

It is sad to note the utter callousness with which present day Free Traders regard the decline and loss of so many of our industries. The most glaring case in point was the loss of our Agricultural avocation. This was either a heroic sacrifice or a cowardly blunder. Which was it ?

Our Free Traders might be compared to the old Spanish Inquisitors. " For the glory of the Church " I have killed another heretic " was the cry of the priests, and it finds an echo in the utterance of the Free Trader—" For the glory of the Free Trade principle I have killed another British industry."

Direct loss in Declining Industries.

Assuming that the contention of the Free Trader be correct ; and that a nation which cannot produce an article as well as another nation, must seek employment in the manufacture of something else, the course pursued must infallibly be attended with loss, and this fact necessitates an enquiry as to whether the expected profit from the new industry will be sufficient to counterbalance the loss made by the abandonment of the old. It must also be considered whether, in the event of it being decided to continue the original industry, which would necessarily entail sacrifices carrying loss, that loss would be greater or less than the profit which might be expected to accrue from the adoption of a new industry.

The losses incurred in the abandonment of an old industry are various. All industries, whether carried on in the fields or in factories, require implements, apparatus, tools, &c. These may have to be sold or scrapped or re-adapted. The value of the land or buildings must always tend to become lessened. The manufacturer, farmer, or whatever he may be, will lose much in the value of his goodwill ; and his experience will cease to bring him in a return on the outlay

necessitated in acquiring it. The workman, mechanic, or labourer will also, in a lesser degree, be the loser under the same heads. Such losses will naturally re-act on the other industries which are connected with the decaying occupations, and while reckoned in pounds, shillings, and pence they must be considerable; the effect on our social and political welfare is often of even greater import.

Now let us consider the gains on the other side and strike a balance. This I must seek from the Free Trader. It is beyond me to prepare it, because it does not exist. I have seen examples put forward, as, for instance, the town of Coventry. The silk industry and ribbon manufacture flourished there for many years, but eventually decayed, and the citizens turned their attention to other pursuits, notably cycles, watches, &c. But, judging from the latest available statistics, the town has not gained anything so far, and it would be interesting to know, whether by making sacrifices and keeping on the manufacture of silk, &c., the position would have been more or less satisfactory than it is at present.

Sacrifices should be borne by the Nation.

Such sacrifices are, of course, national ones. But the losses are national too! If one part of

a community lose, the whole nation must be the loser. Thus the fact must be freely recognised that the question is a *national one*, and it is only by approaching the question from this standpoint that we can possibly arrive at the right conclusion. The watchword should be, "One for all, and all for one." It is vital that the nation should join as a whole.

But the Free Trader has ever refused to work with the rest. He has always dreaded that one man might gain a slight advantage over another, and the dreaded catchword "*Monopolist*" has ever been in the way, and has restrained him from approaching the question from the national point of view.

This is, I apprehend, a common-sense statement. I wish the Free Trader would also use common sense. But, when asked a question, he prefers to evade the real issue and to put off his interrogator with a formula.

In the first period the Free Trader held that some nations were better fitted than others for the production of specific manufactured articles, and that they believed implicitly that it was the Englishman who was the most skilful, and had the greatest advantage.

In the second period he was compelled to climb down from this standpoint. And now

that we are well into the third period, he tries a *volte face*, and maintains just the opposite, vowing that *the foreigner is more skilful, cleverer, and has more natural advantages than the Englishman!*

This last statement of mine will, I know, evoke a chorus of dissent among the free trading community who will unanimously deny the impeachment.

To which I should reply : You do not make the statement in words it is true ; but you show your views in your actions, which is even more emphatic. You act on that belief. You buy a thousand and one foreign-made goods. You suffer the importation of hundreds of articles which we once made for ourselves. You eat foreign eggs, you take foreign medicines, you wear foreign clothes, you drive about in foreign vehicles, you write with foreign pens, you sit at foreign desks, you play on foreign pianos, and you take the time from a foreign watch !

And your justification for all this ? It is a **very** simple one. You urge that all these things are made better, or are sold cheaper by the foreigner than by the Englishman ; or, worse still, that the Englishman cannot make them at all !

You thus imply that the foreigners are now-a-days more skilful than Englishmen.

The first period theory of Free Trade has thus been entirely controverted, and if it were a true theory, the situation would be utterly disastrous.

Fortunately, however, it never was a true theory !

Englishmen as clever as Foreigners.

In a Review article addressed to the American people in 1890, Mr. Gladstone sought to prove to them that Englishmen are better fitted to make Iron goods than they. How facts have contradicted that Grand Old Man, who never would be contradicted ! He actually drew a comparison between growing pine apples in England, and working iron in America ! The work of nature with the labour of man !

Now I do not claim that we are so fitted to grow Bananas, or Tea, or Cotton as are other nations enjoying a different climate to our own. But I do protest that an Englishman is as qualified to work a tool or invent a machine as is an American. The relative superiority of one nation over another is very slightly affected by natural advantages, but it is very largely governed by artificial ones. And these advantages are almost entirely due to the efforts made by the nation itself, aided sometimes by the incidence of disadvantages which a rival nation imposes on itself, as we at present are

helping other countries by imposing upon ourselves their unfair competition. The whole question depends, not on nature but on ourselves !

To say that the average man of one nation is more skilful than the average man of another nation, is equivalent to believing that Nature has endowed the one with more brain than the other. This is against all teaching of psychological science and history. Nature has endowed, in body and mind, all white races equally well or badly.

The Free Trader might say :—We English are cleverer in Industries and Trade than the Greeks who live in Athens or the men who live in Rome ; but when Socrates taught in Athens, or when artificers produced those statues, and pots, and wares which were, centuries later, dug up in Pompeii, what skill was shown by the inhabitants of Britain ?

Education.

In our world it is ordained that a livelihood cannot be obtained without working for it, nor is wealth to be had without skill and knowledge. Inversely, skill and knowledge cannot be got without trouble, and expense, and labour. Now man, as at present constituted, will not trouble unless he has an incentive in the form of a prospect of reward.

It is therefore evident that the acquisition of knowledge must carry with it the incentive of possible gain.

The cry for Education, primary, commercial, and technical, has been loud during the past ten years. It is claimed that if only we could educate our people as well as some other nations teach theirs, our industrial superiority would again become supreme. It is not necessary for me to dwell on this statement at any length here, but I must draw the Free Trader's attention to the fact that the education cry is another proof of my contention that the followers of Cobden consider the Englishman less qualified, and less skilful than the citizens of other nations. In pursuance of this belief, they call for education, wherein they are wrong. *They mistake the effect for the cause.* Their education will be at best a palliative. It will not serve as a remedy.

Our *Electrical Engineering Industry* affords a striking example of how our ill-success in competing with other nations must be due to causes apart from the want of technical education.

Early in the eighties the invention of the dynamo, carbon lamps, accumulators, motors, &c., started the electric light and power industries. England was then far ahead of other countries in opportunities for teaching the young electrical

students. We possessed practically the monopoly of telegraph and submarine cable factories, and their costly laboratories were the nurseries for electrical teachers and inventors. Our literature on the subject was the main source from which others drew their theoretical knowledge, and there was no lack of electro-technical colleges, well equipped, and conducted by efficient teachers.

The result was that in those days we led the way in electrical progress. Electric lighting of private houses, ships, and also central stations originated in this country. The improvements in dynamo winding, making of incandescent lamps, accumulators, and transformers were English. The first electrical tramway and electrical boat were made in England, and there is no doubt but that at the start we were ahead both technically and commercially.

Yet to-day we are far behind other countries, and we are even compelled to obtain abroad the equipment of our biggest electrical undertakings, such as central stations and tramways.

What is the reason? This question has been asked over and over again by our daily and our technical press. And of course all sorts of explanations are forthcoming. The Electric Lighting Acts and other legislation, vested rights and similar obstructions, losses incurred through swindling company promoters, and last and not least, want of

technical education. I am convinced that none of these are true causes—the real ones are the discouragement resulting from our Free Trade policy and the obstructive tendencies of our patent laws.

I can prove my assertion up to the hilt, but it would lead me too far to go into the necessary detail. Suffice it to say that the period of retrogression as compared with the work of foreign electrical manufacturers, commenced as soon as those manufacturers, supported by protection and our orders, were ready to compete against us in our own markets.

And this fact is beyond dispute! In this great and important industry England possessed all the advantages of scientific knowledge, of experience, and thorough technical education—yet in practical results we are beaten by competitors.

I need hardly assure my readers that I am an ardent advocate of technical education, and my views on this subject make me the more desirous to impress upon my readers that we can never hope to reap the full benefit from it until we are in a position to provide adequate inducements to attract students.

In order to remedy the evil it is necessary to get to the root. This is to be found in our economical condition. Remedy *that*, and you will find that the education schemes that languish will

flourish, and obtain those results which you now invoke in vain.

I read the other day a passage by an American writer, who says, "You can drive a man into a University, but you can't compel him to think." Education must come from below. It cannot come from above—the teacher cannot educate unless the scholar seeks education.

Our scholars must ask for education. But they will not do so unless you provide them with the incentive of reward.

Whom do we wish to educate? The man who produces, the manufacturer, his workman, the trader.

You open and endow a laboratory for chemical research. But you will not get eager students, because, owing to foreign competition, our chemical industries are not profitable. But if once you accord support to the manufacturer, he will need assistants and workmen who are skilful, and possess chemical knowledge, and the call for education will come from the students who are eager to learn because they realise that their efforts will be rewarded.

Thus education will originate with the people who are to be taught. A sovereign spent on technical education will then bring more results than ten spent under existing conditions.

This great question affects the manufacturer

and the workman alike, vitally. You doubt his skill. You call upon him to educate, *but you refuse to give him that incentive which is essential for education.*

CHAPTER IV

THE MANUFACTURER AND THE NATION

“So absolute and so sudden a reversal of the policy by which the commercial destinies of an empire had till then been guided was unprecedented. The new policy thus boldly inaugurated was untried. It was utterly condemned, strenuously opposed, and its failure confidently predicted by a numerous body of influential men. It had its foundation not in experience, for it was an innovation; not in example, for no other country had tried it: but in the theories of thinking men who elaborated the system in their closets.”—*A. Mongredien. “Free Trade Movement in England.” Issued by the Cobden Club.*

FREE TRADE THEORY: IMPORTS MUST BE PAID FOR BY EXPORTS.

In the preceding pages I have sought to prove that Free Trade is disadvantageous to manufacturers in respect to the most vital qualifications they should possess:—knowledge and enterprise. In the present chapter I propose to make an

investigation as to whether we can find a single advantage on the side of Free Trade as viewed from the producer's point of view.

If we except the *free* importation of raw produce (and let me say at once, that no sane protectionist would ever place duties upon articles which nature prevents our producing ourselves), we find that the remaining great advantage claimed for Free Trade is this:—*That imports necessitate exports*, or, to quote the words of some Free Trade writers: “*Look after the imports, and the exports will look after themselves.*” “*Imports are as valuable as exports,*” and other similar headings.

These maxims are always found among the foremost theories favoured by Free Traders. They are vital to their creed, and are in fullest accord with that principle of inaction which is the foundation of their whole system. They ask us to believe that positive results can be obtained by passive conduct—that the mere act of buying must automatically be the cause of an act of selling!

Important to Manufacturers and Nation at large.

The question of imports and exports is naturally of the greatest consequence to the manufacturer. It is, however, of equal importance to the nation at large, and it becomes therefore necessary to argue

it from two different standpoints. It is incumbent on the manufacturer to sell, and to seek to increase his sale by export ; and if the mere fact of importation should cause exportation, it would obviously be an immense advantage to him. With regard to the whole nation this question is equally important, because its true answer would solve the problem now often put, *whether we are living on our capital or no ?*

If foreign nations send us goods, they naturally require payment for them ; and if we put the word export for payment, never mind in what form the payment is paid, no doubt the theory that imports must be paid for by exports is true.

But this is by no means the interpretation which Free Traders place upon this maxim. They teach us, and wish us to believe, that all goods which we buy from other countries are paid for by goods which we manufacture ourselves at a profit. Later theorists have modified this, and include in the items that make up such payment, shipping charges, freights, commission and interest on foreign investments.

Downfall of Free Trade by its own Disease.

But they strenuously deny *the inclusion of Capital*. They know well that if it were proved

that we are paying with capital, the whole fabric of Free Trade must tumble to the ground. And it will tumble, I maintain, because we *are* paying with capital. *The period of the diminution of capital has commenced.*

Let the Free Traders endeavour to stem the tide as they will; let them shut their eyes to reason and to facts as long as they dare; this fact must overwhelm them, and nothing in their feeble power will prevent the downfall of Free Trade by its own disease.

Such an event would carry with it consequences to the British Empire such as I hardly dare contemplate. It would be a catastrophe with but few parallels in history. Let us hope it will never come to pass. We have at least this consolation: if we open our eyes and recognise the truth, it will not.

Great Britain under Protection.

In order to arrive at a true comprehension of the causes which led Free Traders into the above-stated belief, we must again glance back into their early history, and a realisation of the state of affairs at that period will elucidate much that seems incomprehensible.

Prior to the passing of the Corn Laws in 1846, Great Britain's commercial policy was strictly

protectionist. Its success was undeniable, but, being carried to extremes, it led to much abuse and some hardship.

The tendency of this protective policy was to make the nation powerful, its government active, and its landed proprietors wealthy. The manufacturer became rich, energetic, enterprising, and the most powerful factor in the councils of the State. This led to a marked stimulation of the vitality of the brain power of the nation, and inventions were made in abundance. Improvements and new methods became the order of the day. I need but refer to the all-important adaptation of steam to travel and manufacturing processes, to the power loom, the electric telegraph, to the introduction of coal gas for lighting purposes—all English inventions, all carrying in their train new processes. Factories sprung up everywhere. Works were enlarged in all directions. Powerful steamships were built, and the distance between continents began to be decreased. The first steamship was launched in 1807, and new machinery containing improvements on the primitive tools then existent was brought into use at rapid intervals, the wonder of the age being single machines which did the work of a dozen men.

All this happened in England under Protection. To-day, while people ascribe everything to Free Trade, all these records appear to be forgotten.

I have seen it stated by many writers who are unprejudiced, that the wonderful prosperity of the early Free Trade period was due to Protection. It sounds paradoxical, but there is much truth in it. But such a revolution of industrial methods (in themselves signs of progress and prosperity) could not come to pass without attendant evils of a temporary nature. It led to over-production.

Over-Production and Under-Production.

It will be instructive if we compare the period I have described with the condition of commercial affairs at the present day. Sixty years ago England stood at a period of severe Protection. To-day we are at the end (let us hope) of a period of extreme Free Trade. This is true dramatic contrast, and, curiously enough, the effects which we clearly see around us are contrasted quite as strongly as the position itself. To describe them I need but *negative* the effects I have sketched out above.

The failure of our Free Trade policy shows itself in making our nation less powerful, our Government inactive, and in reducing the wealth of our landed proprietors. Our manufacturers are earning less profits, losing their energy and enterprise, and are rapidly becoming the least powerful

factor in the councils of the State. The brain power of the nation is inoperative, and inventions of any importance are noteworthy by their absence. Improvements and new modes of manufacture are altogether the outcome of the enterprise of other nations. New factories are now-a-days hardly ever built in this country, and few are extended. When we are tempted to invest in a few new machines we get them from America. I must continue in the same strain. For the period of Protection led to *over-production*, whereas this period of Free Trade leads to *under-production*.

The results of over-production as contrasted with under-production are generally misunderstood, and it often happens that what is really a national evil is regarded as a boon, while an unmistakeable sign of prosperity is supposed to be a symptom of misfortune.

Much has of late been said and written on such subjects as the contract for the construction of the Atbara bridge, about American locomotives, and similar matters. The reader has only to turn to the recent correspondence between Lord George Hamilton and Sir Alfred Hickman; to the trade reports of Mr. Edgar Wallace and other writers in South Africa. Refer to these, and hundreds of others on similar subjects, and it will be found that this fact always stands out clear and undeniable. The reason why our Government, our merchants

and our Colonies have to place orders with foreign manufacturers is not so much a matter of price. It is rather that English manufacturers cannot deliver indents in reasonable time.

By some writers this fact, so damaging to us, has been hailed as a proof of prosperity. They say we are so full of work that we really cannot take any more orders. But it is not a sign of prosperity. It is *under-production*.

We are working in old factories, with old machinery, on antiquated methods, and full as we seem to be with work our output is but small. Small, that is, compared with the exigencies of the times; because other people's output is large; because competition reduces profits; and to make the same profits as formerly we must make double quantities.

Over-production is an evil, but only of a temporary nature.

It tends to encourage manufacturers to seek new outlets, and ultimately do good.

Under-production, on the other hand, is an evil for which there is no remedy.

Condition of affairs before Repeal of Corn Laws.

The natural consequence of over-production, as revealed before the Corn Law Repeal, was a large restriction of labour. The manufacturers saw their

warehouses crammed full and were obliged to restrict output and dismiss workmen. This led to want and misery and riot among the working classes, a condition of affairs in which any change was welcome.

During the occurrence of these incidents, circumstances arose which aggravated the evil. From little causes great do spring, and a comparatively small event often makes history.

A few men may throw some chests of tea into the ocean and a mighty colony is lost. Five hundred men may make an incursion into a neighbouring country and a great Empire is plunged in a long and costly war. A potato crop may fail and cause a nation to change its whole commercial life. Such small events are merely the proverbial straws that break the camel's back.

Thus, at the close of the period we are discussing, England and Ireland suffered from the failure of crops during several consecutive seasons. Bread, potatoes, and most necessities became dear, while the workman earned no wages; his children hungered.

Such was the condition of affairs in England. The rest of the world was different, especially those countries which had been discovered during the preceding centuries, but which by the help of steam and science began to assimilate nearer to

Europe, and commenced to increase their white population.

England was in touch with most of them. If not our own possessions or colonies, our people went there, lived there, and possessed vast properties and exclusive interests in them. Their rich, virgin soil was tilled, and brought forth the products of bountiful nature in wheat, fruit, tea, cotton and raw products of all kinds. What wonder that the Englishman's eyes and thoughts were turned towards these lands across the sea? The hungry workmen longed for their wheat even more than the greedy manufacturers valued their cotton. And these nations, like those on the continent of Europe, had no factories to turn their raw produce into serviceable fabrics.

Thus Richard Cobden found the state of his country and the rest of the world.

Foreign countries needed our manufactures. We wanted their produce. We exchanged.

There was one other point in the drama thus enacted which must not be overlooked. These nations across the ocean had produce to sell; but they had no gold, and the bearing of this fact on the then existing situation is vital. Some writers have even gone so far as to assert that had the gold mines of California been discovered twenty years earlier than was the case (1847) there would have been no Free Trade in England. Cobden could not send

his goods to America because there was no money there to pay for them ; but they had wheat and cotton which to him was much more valuable than gold, for more reasons than one.

Yet England refused their wheat by placing prohibitive duties on its importation, a course about as absurd as if a shopkeeper were to refuse a customer's cheque !

The importation of produce meant orders plus cash on delivery, and orders for the very goods the English Manufacturer had piled up in his factories.

This form of trading is, of course, the most remunerative to the manufacturer. Being abundant abroad, he could obtain produce cheaply, and provide plenty for his workmen. The more produce sent him by foreign producers, the more he could sell to them.

This explains how Cobden and his disciples came to coin those already quoted dogmas which were so prominent in their creed :—"Imports are as valuable as exports." "Look after the Imports, and the Exports will look after themselves." "To reckon the Balance of Trade is a fallacy ; we must reckon the volume of Trade ; we must not deduct, we must add the Imports to the Exports."

No student of history will gainsay that the lifting of the Protective cover at this period was not a timely measure. It was even wise and

politic ; in fact, it was the natural outcome of an excessive system of Protection.

Protection must be Relaxed in the United States.

We shall have a similar instance happening in our own life-time. It is more than probable that the United States will provide us with an analogous spectacle. At present their policy is one of excessive protection. Soon they will be compelled to modify this, and reduce their restrictions. The reasons will be (if not the same) very similar to those which operated in England. The American manufacturer, stimulated by protection will increase his factories and his output beyond the requirements of his country. America restricts its imports, and increases its exports. Other nations, in self-defence, will retaliate. Already we perceive signs of this among those nations who believe in Protection. It is only the fear of losing that proportion of American trade which remains to them, that restrains them. But as this latter becomes less, so the temptation to impose prohibitive duties on American manufactures will become stronger. As for *benevolent England*, the course of her trade with America will be as follows :—If we persist in our Free Trade policy, the balance of trade between the two countries will become more and more

unfavourable to England.* Her imports from America will become enormous, while her exports to that country will sink into insignificance. Of course I refer to her profitable exports, not her gold or securities in the form of bonds. *No country can stand this drain for long.* We shall gradually lose our purchasing power, the consequences of which I need not explain; or we shall be driven into protection under the impulse of panic.

In any case, however, America will find her foreign markets restricted or closed and she will be compelled to alter her protective system and seek imports in order to be able to export. I have, however, great faith in the shrewdness of our American cousins, and have little doubt but that they will take to heart the lesson which we are now teaching them at our own cost. They will learn that it is to their interest to lower or restrict such duties as will not interfere with or act prejudicially to their own manufacturers. In doing this they will take care to strike a bargain with any nation to whom they will offer favoured terms. They will take temporary measures to alleviate a temporary evil.

There you have *the mistake made by the early Free Traders.* While they would have been

* In the year 1899 American exports to the United Kingdom amounted to a total of 120 millions, while the imports reached less than 35 millions.

perfectly justified in doing away with Protection at a time when Protection brought in its train evils which were greater than the benefits it afforded, they never recognised the temporary character of those evils, and when the remedies applied proved an immediate success, they imagined that they had discovered a law of nature, which would endure for all time.

During the early period of Free Trade, the manufacturers experienced the immense advantage of being able to sell their own wares without trouble and expense. The nation bought largely from foreign countries, and it was soon found that imports were the grandest commercial travellers ever known.

A Transformation Scene.

I will now proceed to examine into the condition of affairs during the second period, which I take as beginning in 1875.

The real, practical Free Trade era did not actually commence in 1846 as generally supposed, but in 1860, as it was only in that year that the last of the duties on manufactured articles were abolished.

Like the proverbial early success of the gambler, the halcyon days of Free Trade did not last long. They endured for some fifteen or twenty years, just long enough to enable other nations to develop their energies so as to profit by the unexpected good

fortune which had been placed within their reach by complacent England. And their gratitude has been evinced in many ways!

In the interval between 1860 and 1875 there occurred a number of wars in which were engaged those countries who are now our most formidable competitors. Among others was the struggle between North and South in America, between Prussia and Austria, and France and Germany. In spite of these wars, these Nations were soon ready to attack the supremacy of England in the fields of Industries, an attack which promised the more successful as England had voluntarily adopted a defenceless position. How rapidly the world moves when gold is the prize at stake!

We all must be impressed by the fact now staring us in the face, the fact that foreign nations, however great their differences, are always ready to sink their mutual enmity, which may have endured for centuries, immediately common sentiment unites them in opposition to England. True as this doubtless is in the area of politics, it is even truer in the domain of trade; and in that direction it is the more dangerous, because it is better concealed!

To a great extent we cannot prevent this; it is due to causes outside our influence. But we could, and we certainly should reckon with it. It is the natural outcome of our early successes

in colonisation and trade. To make the situation more acute, we have to admit that by the drift of circumstances we have greatly assisted our rivals in their preparation for battle.

We built them their first railways and their factories, and lent them the money to build others. We invited their subjects to our shores and taught them our methods. We provided them with the sinews of war, and revealed to them the secrets of success. After having learnt all they could from us, these foreigners returned home to start where we had left off, with the fixed idea to beat us on our own grounds.

They worked, and they still are working hard to get hold of our own home and colonial markets, this being their foremost aim. They realised, just as a good General does, the value of a turning movement. They knew that if they beat us in our own strongholds they would gain twofold: they would gain the riches which we had acquired, and they would emancipate themselves from the power which we held over them.

This fact has never been properly recognised. It must be placed to the debit of Free Trade, which affords the incentive of rivalry to foreign nations.

Mr. Gladstone opened our doors to the foreigners in the fond and foolish belief that there were no burglars in this world. He addressed them in impassioned language, he wrote prophetic articles

in the reviews, inviting them to send us their raw produce and to let us transform it for them into manufactured articles.

Unlike our own countrymen, the foreigners withstood the blandishments of the "Grand Old Man." Instead of believing that trade meant peace, they prepared for war between factories, laboratories and counting-houses.

In the early seventies, foreign nations were beginning to be ready for the assault, and, look at Free Trade as you will, its result may be summarised in one sentence :

"Everything depends on the readiness of the foreigner."

As a matter of fact, it does not depend on us at all. We have discarded all our weapons. We are bound hand and foot. *If any profitable employment is still left us, it is simply due to the foreigner being unready or undesirous of depriving us of it.*

The continental countries were the first to attack us in manufactures. The United States of America for a while restricted themselves to competing against our agriculturists, but they are now developing their manufactures irresistibly. All this is history, and calls for no evidence from me.

Results shown in Adverse Trade Balances.

The results of the above mentioned tactics speedily showed themselves in our Board of Trade

returns. The following official figures will make this evident :—

RETURN SHOWING IMPORTS AND EXPORTS
INTO AND FROM THE UNITED KINGDOM
UNDER FREE TRADE, 1856—1900.

FIRST PERIOD.

In Million £ Sterling.

Year.	Imports.	Exports.	Balance.
1856	172	139	33
1857	187	146	41
1858	164	139	25
1859	179	155	24
1860	210	164	46
1861	217	159	58
1862	225	166	59
1863	248	196	52
1864	274	212	62
1865	271	218	53
1866	295	238	57
1867	275	225	50
1868	294	227	67
1869	295	237	58
1870	303	244	59
1871	331	283	48
1872	354	314	40
1873	371	311	60
1874	370	297	73
1875	373	281	92

PROTECTION

SECOND PERIOD.

Year.	Imports.	Exports.	Balance.
1876	375	256	119
1877	394	252	142
1878	368	245	123
1879	362	248	114
1880	411	286	125
1881	397	297	100
1882	413	306	107
1883	426	305	121
1884	390	295	95
1885	370	271	99
1886	349	268	81
1887	362	281	81
1888	387	298	89
1889	427	315	112
1890	420	328	92
1891	435	309	126
1892	423	291	132
1893	404	277	127
1894	408	273	135
1895	416	285	131
1896	441	296	145
1897	451	296	155
1898	470	293	177
1899	485	329	156

THIRD PERIOD.

1900	523	354	169
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The above figures show that the average balance during the first period was an excess of 52 million sterling imports over exports. During the second period, exports showed an annual average deficit of 124 million sterling as compared with imports. It is as yet somewhat early to speak of the third period. But the figures for last year, just issued, give a disparity in favour of imports of 169 million sterling, this being *the second highest* on record.

In the early eighties some clear-headed men became alarmed at the constant increase of our imports, and the relative standstill of our exports, and they sought means to stay the signs of decay in our industries. Unfortunately these men were few, and they were not sufficiently strong to accomplish much against the masterful Gladstone or the blind tactics of the Cobden Club.

They did, however, succeed in stirring public opinion to the extent of provoking the Free Traders to reply to their arguments in defence of Free Trade.

The writings of the Free Traders of the second period are in so far classical and important as they still have their admirers to-day. It is true that latter-day Cobdenites are afraid to enter into arguments, and restrict themselves for the most part to time-honoured platitudes, such as "The big loaf and the small loaf," "Free Trade has made England what it is." And they repeat the

well-worn arguments of the Cobden Club, the "Grand Old Man," Professor Fawcett, Thorold Rogers, Lord Farrer, and other luminous paralogists. One of the gentlemen who recognised the increasing peril, pointed out that if our imports continued to increase at such an alarming rate, we should have to pay for them out of capital!

Lord Farrer (at that time Sir T. H. Farrer) answered this argument in his book which was published in many editions under the auspices of the Cobden Club ("Free Trade *versus* Fair Trade," by Sir T. H. Farrer), and I think that no Free Trader—not even Sir William Harcourt or Sir Michael Hicks Beach—would deny the authenticity of this authorised and standard Text Book of the principles and tenets of Free Trade.

I therefore proceed to quote from Lord Farrer without compunction. I apologise to my reader for inflicting so lengthy a series of quotations on him, but it is necessary for the enlightenment of those who are not conversant with Lord Farrer's teaching. The *italics* are in every case my own. The edition cited is that of 1886.

Lord Farrer's arguments and calculations.

"Out of this haze, however, he (Lord Penzance) extracts the conclusion that we do not pay for our imports with exports, but in some other manner; that the process while it gives our consumers cheap goods, leaves our poor producers to be victimised by the foreign importer, and on the balance makes us poorer.

"Let us try and clear up Lord Penzance's haze. In the first place I will make him a present of the opinion that, if we are paying for our excess of imports by undertaking obligations to pay for them in the future, i.e., by

running into debt; or if we are paying for them by re-transferring or cancelling the obligations under which the foreigner has now to pay interest to us, we are impoverishing ourselves and living on our capital. But it is notorious that the contrary is the case. We are lending to foreign nations and to our Colonies; we are extending our shipping and our invisible exports; we are, in the long run, year by year increasing our excess of imports; we are laying the world under tribute to us. We are clearly not running into debt for our imports, and we are not losing our capital. Under these circumstances I will ask Lord Penzance to consider a little more carefully how our imports are really paid for, how only they can be paid for. When he says that the foreign importer is paid in the first instance in money, he is stating a half truth, which leads to a complete misapprehension, and which conceals the real nature of the transaction.

"No money passes.—The foreigner who sells goods to us is paid in an order for money, which he never converts into money. He uses it as an order for further commodities, and exchanges it accordingly. Whether he buys goods to be consumed by himself, or labour or services to be converted into commodities, or invests it, it is equally an order for certain goods and services, and it is these goods or services for which he really exchanges the goods which he sells to us. Whether what he buys are goods in the present, or in the future; whether they are goods made in our country, or goods made elsewhere to be exchanged for goods made in our country, or to be otherwise more circuitously exchanged, makes no difference. The real transaction is an exchange of goods or services, for goods or services.

"What is true of the single trader, is true of the aggregate imports of the country. They are not given to us. How then are they paid for? How alone can they be paid for? Not with gold because we do not export gold. Not by a transfer of securities, for, as we shall see below, we are on this balance investing abroad largely. They can only be paid and accounted for in two ways. First by the goods which we now export to pay for them; or secondly, as a means of receiving and settling the interest due to us on foreign debts. But how were these foreign debts incurred? By the export of British goods or services in past years, and in no other way. Therefore goods imported to pay interest, are really imported in exchange for goods, or services which have been exported, and which constituted the material form in which the loans were made. Every tyro in economics knows that export and import statistics are very rough and imperfect forms of account, and that they can never be made to balance accurately. But so far as fluctuations in them are due to sending capital abroad for investment, and to receiving interest on that capital, these fluctuations are mere matters of account which would puzzle no business man, though they have left the acute-minded lawyer in a state of complete mystification.

"But it may be said, and is said by some fair traders, these exports for investment, of which we speak, are things of the past; we have had the benefit of them; all that is happening now is the receipt of interest on them. This comes in the shape of imports; which are, so to speak, gratuitous, and are therefore, so far as our producers are concerned, a pure evil. In fact, so runs this precious argument, we are the less well off because the world owes a large debt to us, which it pays principally in the form of food and raw materials. We are then the poorer because we get corn from America, India and Australia

in payment of debts which have been created by past exports of our own manufactures!

"I do not attribute any such folly as this to Lord Penzance; but it seems to me the logical consequence of the doctrine that imports not immediately paid for by exports are an evil to the country.

"But are our foreign investments things of the past? *Are we not still continuing to lend, and to export our loans in the form of British goods and British services?* Let us see in the rough, how, according to the best statisticians, the account stands. The present excess of our imports over exports, as shown in the Board of Trade statistics was £125,000,000 in 1880, and £94,000,000 in 1884. Of this not less than £50,000,000 is probably payment for what Mr. Giffen calls '*invisible exports*' viz.: freights and profits earned by British shipping; which, though they do not appear in the official trade statistics, are just as much the produce of British industry as our cottons or our hardware. This would leave £75,000,000 in 1880, or £44,000,000 in 1884, to pay for the interest on foreign investments. But this interest no doubt amounts to a much larger sum—probably 100 or 125 millions; and consequently, not only is our excess of imports accounted for, but there is, after allowing for the excess of our imports over our exports, a large surplus of the produce of British labour which we export as the material representative of the loans we are still making to foreign countries, and for which those countries will hereafter have to pay us interest in the form of imports.

"Taking these facts into consideration, there is nothing whatever in the fluctuations of statistics to disprove the elementary proposition that *trade is exchange and that our imports are paid for by our exports*; that imports involve exports and *vice versa*, and that anything which limits imports must also limit exports. It is surely the bottom of Lord Penzance's argument, and not the bottom of Free Trade argument, which tumbles out" (pp. 5—8).

Under Heading: Our Trade with the United States.

"In speaking of the reasons for the excess of exports, I have given some figures which, if they approach the truth, show that we are increasing and not diminishing our foreign investments; that we are still lending rather than recalling capital; and, if this is so, the United States is certainly one of the countries to which we are lending most" (p. 45).

Further Arguments under Heading: Reciprocity.

"Another objection which the Fair Traders make to our principle of Free Imports is that *imports displace British production*, and that consequently *the excess of imports*, which is apparent in our recent trade returns, *is a fatal sign of the decadence of English industry*. Imports are their great bugbear, and to them excessive imports means ruin. There is perhaps no subject on which so much nonsense has been talked. It is nonsense which reappears under a great variety of forms.

"For instance, I find in one of the Fair Trade tracts, a long and graphic description of the making of a plough in England, and of all the English people employed in preparing the materials and putting them together. The whole culminates in the sale of the English made plough to a farmer for £12,

whilst a similar article might be imported from abroad for £11 10s. All this for the following precious piece of political wisdom :—

"I must deal with the question in its practical bearing, and tell you that the dogma, 'Buy in the cheapest market,' is a great delusion, for in the case of the plough which produced £12 to the whole nation, if it could be bought from the foreigner for £11 10s. the whole nation would certainly gain 10s., but would lose the £12 by the collapse of that special industry, the nation, from the Government down to the candlestick maker, being poorer by £11 10s. in distributive wealth.

"Astounding conclusion! How do the Fair Traders think the imported foreign plough is to be paid for? With nothing? If so, then the nation will be richer, not by 10s. but by £12. If with something, then with what? Why, of course, with something English workmen can make better and cheaper than they can make ploughs, and which will have to be sent abroad and there sold to pay for the plough.

"Again, in another of their leaflets, I find a long story about the producer and consumer, and a long and tedious attempt to show that in consulting the interest of the consumer by encouraging exports, we are damaging the producer and discouraging exports.

"In this there is a double fallacy. In the first place, producers and consumers are really the same people. The distinction between producer and consumer is of use and of interest in arguing questions of political economy, where the different capacities in which men act, and the different motives which impel them to action, have to be taken into account; but producers and consumers are, in real life, the same persons. Every producer is a consumer, and every consumer (except the purely idle, whom we need not now consider) is a producer. The workman who produces steel rails consumes bread, meat, tobacco, clothing, and a number of other things. The learned classes—the engineer, the lawyer, the doctor, the statesman—whilst consuming whatever is necessary for life and health, assist in the production no less than the workman. We are all, if we are doing anything useful, producing as well as consuming. There is really no interest of producers separate from that of consumers. We are all interested in buying what we want wherever we can get it best and cheapest.

"Secondly, if we look to production alone, and put consumption out of the question, it is the largest amount of free imports which will cause the largest amount of production. Not, no doubt, of the same articles, but of articles which we can produce better, and with more advantage to ourselves and to the country than we could produce the articles which we import. *The moment we cease to produce such articles we shall cease to import. So long as we import we may be sure that we have bought those imports with our labour, and either have paid, or are paying, for them with our exports. We can pay for them in no other way.*

"But it is the growing excess of imports which fills our Fair Trade friends with their most terrible alarms. The absurdity of these terrors has been so often and so fully exposed, that it is unnecessary to repeat in detail the many arguments which show that our imports are large, because they include the profits of our present trade and of our past savings. But it may be desirable to state the outlines of the case shortly, premising that the incompleteness of our statistical records makes error easy, and exactness impossible; for not

only do our statistics of exports omit much which is really produced and sent out of the country, but all attempts to strike an exact balance of imports and exports are confused and baffled by investments, and by the traffic in securities. We know that all exports of goods are made either in exchange for goods or bullion, with the necessary additions for freight and profit, or by way of repayment of the principal or interest of loans, which we have formerly made. But we do not know how much is due to each of these causes, and we cannot therefore strike an accurate balance. *We do not know the exact state of our debtor and creditor account with foreign countries.* The difficulty is increased by the fact that securities are now used as a sort of international cash, and are transferred from country to country, not as permanent investments, but in place of bullion to settle the balance of accounts. In consequence there is a large room for speculation and error.

"But all economists agree that we are a largely lending country, and that we have enormous investments abroad, of which the interest and profit are daily returning to us in the shape of imports. The case may be put shortly as follows:—

"The excess of imports over exports in 1880 was—

Imports	-	-	-	-	£411,230,000
Exports	-	-	-	-	286,415,000
					£124,815,000

"And in 1884 it was—

Imports	-	-	-	-	£390,019,000
Exports	-	-	-	-	295,968,000
					£94,051,000

"The amount of English capital constantly employed abroad in private trade and in permanent investments, including Stock Exchange securities, private advances, property owned abroad by Englishmen, British shipping, British-owned cargoes and other British earnings abroad, has been estimated by competent statisticians as being in 1880 from 1,500 to 2,000 millions, and is constantly increasing. Taking the lower figure, the interest or profit on it at 5 per cent. would be 75 millions, and at the higher figure 100 millions. But a large proportion of this amount, being employed in active business, would bring in more than 5 per cent. profit, probably not less than 10 per cent. Supposing one-quarter to bring in that interest, we should have as the income of 1,500 millions of capital, 94 millions; for the income of 2,000 millions capital, 125 millions. The former amount is equal to, and the latter greater than, the excess of imports over exports in 1884. Besides this, there is the question of freights. A very large proportion of the trade of the United Kingdom is carried in English ships, and these ships also carry a large proportion of the trade of the world which does not come to England. This is, in fact, an export of highly skilled English labour, and capital which does not appear in the export returns, and considering that it includes not only the interest on the capital invested in the ships, but wages, provisions, coals, port expenses, repairs, depreciation, and insurance; and that the value of English shipping employed in the foreign trade is estimated at considerably more than

100 millions sterling, the amount to be added to our exports on this account must be very large. Add to this the ships built for foreigners, amounting in 1880 to 70,000 tons—chiefly steamships—the ships repaired for foreigners, and the ships sold to foreigners, amounting in 1880 to 75,000 of sailing and 36,000 of steam tonnage worth altogether several millions, which do not appear in our list of exports. All these outgoings, *except the small part spent abroad*, with the profits, must either return to this country in the shape of imports, or be invested abroad. From all I can learn, *I believe that 50 millions is too low an estimate of the amount of unseen exports*, which should be added on this account to the total exports visible in our established returns. In addition there are the commissions and other charges to agents in this country, connected with the carriage of goods from country to country, which are analogous in their nature to the charges of the shipowners for conveying goods, all of which appear in our accounts of imports, but none of which appear in our accounts of exports. If there is any truth in the above figures, not only is the excess of imports over exports accounted for, but there is really a large surplus of imports due to us, which can only be accounted for *by supposing that we are still investing large amounts of our savings in foreign countries and in the colonies.*

“We need not therefore be afraid either that we are consuming the realised earnings of past generations, or that we are ceasing to be able to earn. *Though receiving more, we are still earning; and we may consume in confidence, because we produce in abundance*” (pp. 119-123).

My answer to Lord Farrer.

It is quite refreshing to find a Free Trader arguing upon facts. Facts and figures are the best argumentatives.

The early Free Traders were very like our modern company promoters, who issue a prospectus full of promises, reports, and estimates. But when in course of time the actual facts and figures have to be submitted before the official receiver, they cut a very different figure to that they assumed in the days of their anticipatory prophecies.

I will paraphrase Lord Farrer's reasoning and repeat some of his sentences in the form of questions.

These questions I propose to answer with facts, as supplied by present day experience:—

1. *Are we running into debt? Are we impoverishing ourselves and living on our capital? Is it notorious that the contrary is the case? Are we lending to foreign nations and to our Colonies?* This last question comprises the *alpha* and *omega* of the whole matter. A true answer would settle this all important national question at once. Unfortunately, until a correct national balance sheet is prepared, its elucidation must rest upon such information as can be obtained from experts. Farrer was obliged to base his arguments on such information, and I shall have to do the same.

I have therefore consulted one whom I think most competent to give an opinion—an old-established stockbroker who deals mainly in investments, as opposed to speculative securities. I give his opinion in his own words:—

The Opinion of a Stockbroker.

“During the last ten years we have been lending to foreign nations on an incomparably smaller scale than previous to that period. At present we are not a lending nation at all. Let me review some of the main securities involved under their respective headings.

“*Government Loans.*—No single loan has been emitted by any Continental government in London during the past ten years. Countries like France, Germany, Austria, and Italy seem to be getting richer,

and either have not required to borrow money, or, if they have, have found sufficient lenders in their own countries. Others, like Spain, Portugal, Turkey, and Greece are unable to borrow at all, as they have repudiated a portion of their old obligations. Russia is the only country which has been in the borrowing market, and it is well known that she got her money from the French people. Evidence of this condition of affairs is to be found in the fact that the so-called Foreign Market in the London Stock Exchange has dwindled down to very small proportions.

"The United States Government have borrowed only once under the Cleveland Administration. This loan was subscribed in England and to a less extent on the Continent and in America, but I believe that most of the bonds have found their way back to the United States. I have no doubt but that many of the Republics of South America would like to borrow, but since the Baring crash the London money market has been closed to them. The Argentine Republic, is, it is true, recovering, but should it come upon the market as a borrower, Germany and other countries would at once compete in the subscription.

"China and Japan have recently raised some millions on Loan, but while at one time the needs of these countries were supplied exclusively by us, the last two China loans were contracted for by a combination of German and English bankers. Turning to our Colonies, very few have borrowed during the past decade. And those which have raised loans have restricted their demands to very small sums as compared with their former requirements.

"In regard to *Foreign Railways* I note that the former paramountcy of England has practically disappeared. Till recently we used to finance these

undertakings all over the world, and the value of the securities which were in consequence placed on our markets was prodigious.

“This has ceased, and I cannot recall a single important foreign or colonial railway security that has been offered in this country during the past few years.

“*Industrial Loans* for foreign countries have been few, and mostly of a speculative nature. In olden times English contractors used to undertake large enterprises abroad, such as Gas Works, Waterworks, Factories, Tramways, &c. The system followed was either to receive payment in the form of municipal or other securities from abroad, or to form companies in England and receive shares which were taken up by the British public. In either case the business was a very profitable one all round: to the contractors, the public, and we stockbrokers; but I regret to say it has almost entirely ceased.

“There remains to be considered only the *Mining Market*. There has certainly been no lack of enterprise in launching new companies for the development of mining properties in foreign and colonial countries. But from a purely investing point of view this market stands on an entirely different footing, to those I have already mentioned. In the species of investments above referred to, it was English money, the savings of the people, that found employment. In the case of mines this is not so. Instead of investing hard cash in these undertakings, we have created or imported paper securities, and endeavoured to sell them not only to the English but to other people as well. It is a pure speculation. A comparatively few people made money and the country is doubtless all the richer for it. But

such business is in such few hands, that I doubt whether it will do us any ultimate good."

I took the opportunity afforded by my interview with this stockbroker to sound him on another point very properly raised by Lord Farrer, which he makes as follows:—" *Are we transferring any securities, and are we on this balance investing abroad largely?* "

My stockbroker's reply was as follows:—

"I have told you that in my opinion we are not buying any fresh securities abroad. We are certainly always buying and selling old foreign securities, and the question is, how does the balance stand? Well! It is my opinion that the balance stands largely against the country. We have been selling more foreign securities, which we used to hold, than buying new ones.

"If we go into details under the headings I have sketched, you will find that the same causes operate in regard to both questions. Those countries which have not been borrowing from us lately, having become richer themselves, naturally have been buying up their own securities. Thus it is common knowledge that we do not hold French Rentes in as large amounts as we used to do. Those countries which are more or less in financial straits, no doubt still owe us a large amount of money; but it is a well-known fact that the English investor does not like to hold securities which have materially fallen in value, and come to be regarded as gambling counters rather than bonds. He has got rid of such whenever he could. But

whether he holds them or has sold them, it means a loss of capital and income alike.

"I have referred specially to Russia. Our political interests have had a marked influence upon our financial relations with that country. Our diplomatic attitude towards Russia may, from our own standpoint, have been right, or wrong; we may be politically better or worse off; but this is certain—financially, we have been heavy losers. We used to be large holders of Russian securities. After each scare the British public cleared out of them at the bottom price. Paris and Berlin bought them all, and having invested in them at prices ranging round about 80, now possess securities which stand on an average about par. This I consider decidedly bad business for us.

"Very few *Foreign Railway Securities* are now held in this country. Many of these have become State properties. We still, however, hold a good many Argentine and Central American Railway securities, as well as Indian and Colonial stocks.

"Turning to American railways I may note that these are worthy of special attention. Some twenty years ago we held enormous stocks of these, indeed, the bulk of the bonds and vast quantities of shares were in English hands. The history of the alternate 'booms' and 'slumps' in these commodities is well known. The last boom, which we have only just passed through, revealed the fact, known to those behind the scenes for some time previously, that much of our holding has passed back into American hands. And no wonder! How else could we have paid for all the food, and cotton, and hundreds of other things they send us? It looks as if, instead of being creditors, we are running into debt with them.

"In our *Foreign Industrial Market* we have certainly lost on balance. Many of the municipalities in foreign cities have purchased the public works which were originally constructed by English capital. Being thus compelled to sell, the English companies have not always fared well. The foreigners drove many hard bargains, and in many cases unjust ones. But how can we complain when our own London County Council showed so little generosity when buying up our tramways? I should say that in *Mines*, our holdings have increased during the past ten years. But there have been some very bad crashes, like the groups of the London and Globe; and unfortunately it is the small punters who are generally the victims."

Thus far the stockbroker! I then proceeded to consult a large shipowner, in order that I might be in a position to answer Lord Farrer's next point.

Are we Extending our Shipping?

Here, in a condensed form, is what the shipowner said:—

"Twenty or thirty years ago we had the carrying trade pretty well to ourselves. No doubt Free Trade assisted us greatly. We carried a good deal more than 80 per cent. of the passengers and the freights, not only to and from our shores, but between the different continents. We have no accurate data to go upon, but such as are furnished by the Suez Canal traffic returns and the reports of the great shipping companies are of considerable assistance as a guide.

"I am sorry to have to confess that we are not masters of the field any more. Germany, especially,

has forged ahead, and has made marvellous strides in shipbuilding, and it has come to be recognised that the keenest competition for the traffic which was formerly the monopoly of British shipowners, now emanates from that country.

"They have the fastest steamers on the Atlantic, and though this may not be everything, yet the advertisement it brings must not be undervalued.

"It is true that immense shipping companies, which have become such a power in Germany, are subsidised by the Government, but they have a much greater advantage of a larger 'Hinterland' than we, and, in this respect, our insularity is a drawback. The Germans have bought several lines of steamers, and have whole routes to themselves. You know that the Americans have designs on our carrying trade, and I cannot see how we can prevent them becoming even more dangerous competitors than the Germans. What we have most to fear is that the American Government will place such legislative hindrances upon our ships that we shall lose the whole of the American carrying trade some day not very distant. This competition has cut freights, and therefore I am sure that neither the volume nor the profits of our ocean-carrying trade is anything like as large as it was twenty years ago."

Are we Extending our Invisible Exports?

Lord Farrer includes under this heading "Freights and profits earned by British Shipping," but, later on, he adds: "The commission and other charges to agents in this country."

It is impossible to gauge this latter item, but,

considering our greater volume of imports, and for reasons which you will find stated in my chapter on the Middleman, we may assume that such commissions are no less than they were twenty years ago, and I will go even further and say that they are more, and may even perhaps balance the loss on shipping.

National Balance Sheet.

The statements made by my expert friends indicate that, in their opinion, our income, derived from foreign investments and profits on shipping, is less to-day than it was 20 years ago. It certainly has not increased.

I personally feel convinced that it is less, but, for the purpose of an inventory, and in order to make a comparison between a National Balance Sheet drawn up to-day and the one made by Farrer in 1885 I propose to assume that Farrer's figures hold good to-day.

I will not take his lowest figures, but his "highest" and his "increased highest."

Excess of Imports over Exports.

(In Millions £.)

1880.		1884.			1897.		1898.		1899.		1900.
125		94			155		177		156		168

Balance A.—Farrer's "highest" figures of foreign income amount to £150 millions.

The balances will stand thus :—

ON THE RIGHT SIDE :

25 | 56 ||

ON THE WRONG SIDE : | 5 | 27 | 6 | 19

Balance B.—Farrer's "increased highest" figures amount to £175 millions.

The balances will stand thus :—

ON THE RIGHT SIDE :

50 | 81 ||

ON THE WRONG SIDE : | 20 | — | 19 | 6

The figures of Balance B must prove that in 1898 the margin, which, according to Farrer, was 81 millions in 1884, was entirely gone, and at least two millions must have been paid out of the nation's capital, while Balance A would indicate that we had begun living upon our capital in the year 1897.

Refuting further Fallacies.

I feel sure that the reader will appreciate the shallowness of the special pleading which constitutes Farrer's argument, but I have found that the theory that our imports *must* be paid for by our exports is so deep-rooted, that I feel constrained to pursue the matter further. I will deal with the following assertions first. Farrer says :—

"The largest amount of free imports will cause the largest amount of production."

"The moment we cease to produce such articles (which we can produce better than the articles which we import) we shall cease to import."

"So long as we import, we may be sure that we have bought those imports with our labour, and either have paid or are paying for them, with our exports. We can pay for them in no other way."

It thus becomes evident that Farrer sees cause for congratulation in our increasing imports, and his example is followed by Free Traders of the present day, in spite of stationary exports, and the attendant adverse increase in the balance of trade. They follow Farrer, in the firm belief that his theories are infallible, in inculcating the doctrine that we cannot possibly be living on our capital. I am therefore impelled to show that no such impossibility exists, and that Farrer's theory is a downright fallacy.

All Free Traders, from Cobden onwards, have had a penchant for illustrating their dogmas by stories referring to homely individuals. This is quite applicable, as the nation is composed of individuals, and their actions are subject to the same economical laws.*

* For the edification of those readers who desire to study this question I quote Cobden's story of the "Tailor and the Provision Dealer" :—

Now, we are met by the monopolists with this objection ; if you have Free Trade in corn, foreigners will send you their wheat here, but they will take nothing in return. The argument employed, in fact, amounts to this, if it amounts to anything—that they will give us their corn for nothing. I know not what can exceed the absurdity of these men if they be honest, or their shallow and transparent knavery if they be dishonest, in putting forward such an argument as that. If there be a child here, I will give him a lesson which will

I will follow their example, and illustrate my thesis by the story of—

“The Butchers and the Tailor.”

Imagine several butchers and a tailor dealing with each other many years, which we will divide into three periods.

When they first began business the butchers had grazing lands and cows, but no money. The tailor was fairly well off. He had a large house, and stock. The

make him able to go home and laugh to scorn those who talk about reciprocity, and induce him to make foolscaps and bonfires of the articles in the *Morning Post* or *Herald*. Now, I will illustrate that point. I will take the case of a tailor living in one of your streets, and a provision dealer living in another, and this busybody of a reciprocity man living somewhere between the two. He sees this tailor going every Saturday night empty handed to the provision dealer and bringing home upon his shoulder a side of bacon, under one arm a cheese, and under the other a keg of butter. Well! this reciprocity man, being always a busybody, takes the alarm and says, “There is a one-sided trade going on there. I must look after it!” He calls on the tailor and says: “This is a strange trade you are doing! You are importing largely from that provision dealer, but I do not find that you are exporting any cloths, or coats or waistcoats in return?” The tailor answers him, “If you feel any alarm about this, ask the provision dealer about it. I am all right at all events.” Away goes the reciprocity gentleman to the provision shop and says, “I see you are doing a very strange business with that tailor; you are exporting largely provisions, but I do not see that you import any clothes from him: how do you get paid?” “Why man! How should I?” replies the provision dealer, “in gold and silver to be sure.” Then, the reciprocity man is seized with another crotchet, and forthwith begins to talk about the drain of bullion. Away he flies to the tailor and says, “Why, you will be ruined entirely! What a drain of the precious metals is going on from your till. That provision dealer takes no clothes from you, he will have nothing but gold and silver for his goods.” “Aye, man,” replies the tailor, “and where do you think I get the gold and silver from? Why, I sell my clothes to the grocer, the hatter, the bookseller, and cabinet maker, and one hundred others, and they pay me in gold and silver. And pray, Mr. Busybody, what would you have me do with it? Do you think my wife and family would grow fat on gold and silver?” Now, if there is any little boy or girl in this assembly, I hope they will go home, and for exercise write out that illustration of reciprocity and show it to their friends, who may be seized with this crotchet respecting reciprocity and the drain of gold, and see if they cannot laugh them out of their delusions.

tailor bought his meat from the butchers, while they bought their clothes from him. At the close of the first period the butchers had bought clothes to a much greater value than the tailor had bought meat. The butchers could not adjust the balance in cash, as they possessed none, so they settled by giving the tailor promissory notes, and mortgages on their land.

During the second period the tailor's family grew very considerably. They were not all able to work, however, and for this, and other reasons, the tailor's household did not make any more clothes than they used to do before their numbers became increased. The butchers, on the other hand, worked hard and grew rich, and their largest account was with the tailor who bought meat to much greater value than he sold clothes. The balance of this account was periodically settled by the tailors handing the butchers those notes of hand which they had received from the butchers during the first period.

The butchers, during the third period, had children, some of whom had been taught the trade of tailoring, and for this reason their parents had no need to buy any more clothes from the tailor. But the latter's family was compelled to live, and to buy meat! Thus the account stood all on one side, and the tailors had to sell their house and stock, in order to pay the butchers, and after this the butchers would not supply any more meat, and the tailors had either to starve or to become butchers themselves.

The foregoing is a simple story and proves that—

- (1) There is no law compelling butchers to buy clothes from their customers ;

- (2) That the tailors had to sell their original capital in order to live.

As it is with the individual, so it is with the whole nation. There is no law, no custom, no facts existing to prove that the mere importing of goods from one country should induce exports to that country, and it is obvious that a nation must pay with her capital in cases where the money represented by labour and interest on savings be insufficient.

Every important statement made by Farrer can thus be refuted, and it can in most cases be shown that the exact converse of his contention is true. The reader will, probably, after my initiation as above, be able to estimate the real value of such theories for himself, so I will leave Farrer and proceed to investigate other evidences which may help us to arrive at a definite conclusion as to whether we are living on our capital or no!

In the absence of a national balance sheet, I consider it imperative not to neglect the consideration of such matters, and I will touch upon the most important ones, which are :—

Our Income Tax Returns.

Our Governmental and Municipal Expenditure.

The Working of our Limited Companies.

Comparisons.

Our Income Tax.

Free Trade statisticians point to the returns of our income tax collection as a proof of our continued prosperity. I sincerely hope that they may prove to be right, and that all the indications, which point so strikingly the other way, may be found to be illusory.

Yet when I examine these returns I fail to agree with the conclusions which our Free Traders persuade themselves into believing in their keen desire to justify their ill-devised theories.

The yield of our income tax has remained the same for the past 10 years. It remains 2·1 millions for every penny levied. Yet the population has increased by no less than three millions in the interim. Therefore the returns have decreased, of that there can be no difference of opinion.

The income tax returns show much, but they do not afford a complete indication of the income of our people. They afford us no information respecting incomes of under £160. It is, however, common knowledge that through the frauds of public companies (for instance, "the Liberator") many small investors have lost much of their savings.

The system of turning everything into a limited company, which has of late become so general (our butcher, baker, and candlestick maker are now

termed "limited"), may account for much that is detrimental to national economy in these returns. It is quite possible to have income tax paid on capital. Indeed, I know of cases in point. They occur in this way. The collectors of this tax recognise no alteration in capital values. You are not expected to pay on any increase, nor will any decrease be allowed for, in this direction. If, however, a man in the course of his business makes a very large amount of extra profit, as often happens to the promoter of a company, the tax collector claims on it under the head of profit.

For example, take two men, A. and B., each possessing capital to the amount of £40,000 and incomes of £2,000. The tax payable on this amount would, at 1s. in the pound, be £200.

Let us suppose that A. loses in one year £5,000, which B. gains, an incident quite possible under the tricks of latter-day company law.

The income of A. will thus become reduced by, say, 5 per cent. on £5,000, which will make it £1,750, on which the tax would be £87 10s. B.'s income will be £2,000, plus £5,000, making a total of £7,000, on which B. will pay a tax of £350. Thus it is evident that income tax is being paid on capital, which has simply been transferred from one pocket to another, and in so doing has swelled the income tax.

When a Royal Commission is appointed to

inquire into the state of our national finances, which will I hope be soon, a thorough investigation into the sources from which our income tax flows will elucidate many mysteries.

A comparison of these sources to-day with those of 30 years ago, will, I feel certain, show among other points that the nation's wealth has passed from the pockets of whole classes into the pockets of other classes, and that the transfer has not been to the benefit of the people at large. I have, indeed, good reasons for believing that it constitutes a national danger, as I shall show when I come to deal with the middleman.

Our Government and Municipal Expenditure.

Governments conducted upon safe and economical principles must derive their incomes from the incomes of the people. Our present Government does not. One large tax, the Estate duty, is derived from the *capital* of the nation. So long as it was a small tax—merely registration fees—this did not matter; but now the Treasury collects something like fourteen millions every year under this head, and this is evidence that our Government is living on our capital.

I hold this to be most unsound finance. The originator of this "reformed" Dead Man's Tax is

that great financier and eminent Free Trader, Sir William Harcourt, a leader whose favourite motto was "Peace, Retrenchment, and Reform!" I have heard it whispered that the former policy of Peace is the cause of the present war, and if this "Reform" of Estate duties is a specimen of Retrenchment, then I will become an advocate of extravagance.

It is true our National Debt has been considerably reduced during the last decade. I will regard the recent increase due to the necessity of borrowing for the purposes of the present war as extraordinary, and not to be reckoned with in regard to living on capital. But, on the other hand, our municipalities, county councils, and similar bodies have been piling up a mountain of debt which more than squares comparisons on public account.

If all this borrowing from the nation's capital were re-invested in remunerative public works, it might be regarded as advantageous, but this is rarely the case, and the bulk of the money thus raised goes in mere expenditure.

If we come to investigate the national accounts, it will be possible to discover how many of these borrowed millions leave the country, never to return.

Our Limited Liability Companies.

It would be easy to fill volumes with examples of the iniquitous working of the Company Laws. They are the legalised medium for swindling, robbery, and for squandering the wealth of the nation. Most of us have been victimised at one time or another, and on seeking some remedy at the hands of the law, we found that it was impotent; and left us helpless.

If a poor man buys something he cannot pay for, it is termed "getting goods under false pretences," and he is put in prison. If, on the other hand, a company promoter manages to get hold of thousands, without security, and without the least intention of either returning them or according a fair interest to their owners, it is called, when the crash comes, and the official receiver begins his inquiry, "mistaken judgment"; and the promoter retires on the money he has stolen—having judiciously settled it on his "better half"—to the fastnesses of that eligible sanctuary known as Park Lane.

Our courts record losses of hundreds of millions by public companies; but it is not generally known that many companies now exist and pay dividends, and yet are living upon their capital all the time. I will give an outline of one out of the many

companies of this description with which I am acquainted.

The company I have in my mind began with a capital of £300,000, which it has since increased by the issue of debentures to half a million. It paid over £200,000 for patents and preliminary expenses. It started large factories, and always carries heavy stocks, and has done a fairly large trade.

After a few years of existence it commenced paying dividends, and is still paying an average of 6 per cent. to its ordinary shareholders. In all its career of some 20 years it has never been able to write off any appreciable amount from the cost of patents, though these have long run out. For the last three years it has been working at a loss to my certain knowledge. It was compelled to shut up several of its factories, and has been buying goods from foreign manufacturers, as these could supply their wares at lower prices than the company could turn them out at. This company, which has of course become a middleman pure and simple, still passes as a manufacturer. And yet, notwithstanding these adverse circumstances, its last balance sheet still points to its being a solvent concern and able to distribute dividends. How is this done? By creating a large and fictitious credit for "Goodwill," by taking stock at wrong prices, and by retaining among its debtors the names of such as are more than doubtful. All the capital of this company

is practically gone, and it will shortly have to liquidate or reconstruct.

It would be easy for me to amplify my references to this subject. I could show how declining private businesses are turned into big limited companies, and how such transactions disguise the fact that capital has been lost. But I have said enough. I am glad that some of the most crying evils of our company laws were remedied (on paper) last year ; there still remain, however, many to be reformed.

Comparisons.

Comparisons are odious, yet it would be altogether wrong if, in investigating the state of our national wealth, we were not to draw comparisons with the rise and fall of other nations. Everything in this world is relative. We may be as rich as ever we were, yet be poorer relatively to our neighbours. This fact must be apparent to all, and is so important that it should engage most seriously the Nation's thoughts. I will not dwell on it at greater length, but I will give an instance of its working.

Our Naval expenditure is getting bigger every year. Why? Because our neighbours are richer and able to build more ships than they used to do, and we must build more ourselves. This has an indirect but marked effect upon our taxation and our relative wealth.

A pet theory of the Free Trader is : The richer other nations become, the better for us—because they would be better customers. How benevolent !

In summarising this very lengthy chapter, I will try to be as brief as possible.

The Manufacturer.

Our enormous imports mean ruin to the manufacturer. They are no help to him in the selling of his goods. Imports might be made of such assistance to the home producer, but that is another story, and that must be dealt with under “Retaliation.”

The Nation.

These imports are our gravest national danger. They make us dependent for everything upon the foreigner ; they cause us to lose our self-sufficiency and self-dependence, and, if unchecked, must inevitably impoverish the, erstwhile, richest nation in the world.

If, under such circumstances, men, who by chances of birth and by supposed superior knowledge have acquired influence over millions of people, proclaim as Farrer has done that,

“We may consume in confidence, because we produce in abundance,”

it constitutes a criminal folly which has no parallel in the annals of history.

CHAPTER V

THE CONSUMER

“The mistake, which may be regarded as the cardinal error of the protective system, is not unfrequently committed. The interest of the manufacturers as producers is considered; the interest of the people as consumers is ignored.” — *Professor Henry Fawcett, “Free Trade and Protection, 1879.”*

FREE TRADE THEORY : FREE TRADE MEANS CHEAPNESS TO THE CONSUMER.

I am prepared to be met by Free Traders who have read my book thus far with some such contention as this :—

“ We will assume, for argument sake, that the manufacturer gains nothing by Free Trade. We will even assume that he is a loser. The matter does not rest with the manufacturer alone. It rests much more with the consumers, of whom the whole nation is composed—and the manufacturer is himself one of the largest consumers, since he absorbs not only what he needs for

living, but also the quantities of material which he converts into manufactured goods. In doing this he is immensely helped by Free Trade, which carries with it that immense benefit which comes of cheapness, and which outweighs all disadvantages. Thus the manufacturer obtains, in addition to cheap food, cheap raw material and everything that he requires."

At the very outset, I avow that I join issue with the Free Trader on this reasoning, and affirm that his assertion is wrong. To begin with, I must explain that this theory of cheapness is entirely fallacious. It is a purely popular theory, the idea of the man in the street. It is not the official theory of the Cobden Club. On the contrary, it may astonish the average member of the public to learn that the apostles of Free Trade practically repudiate it; they played with it—as long as it suited their purpose. Cobden was a manufacturer, and his object was to convince his fellow manufacturers, workmen, and agriculturists; and it is obvious that cheapness was not the thing these people wanted. What they really desired was large profits and high wages, factors which are not always compatible with the notion of cheapness. Anyone reading Cobden's speeches and the discussions of the early agitators will realise this. And, curiously enough, the first decade of Free Trade did not bring cheapness.

Wheat and agricultural produce went up in price; wages rose, and manufacturers made large profits.

Not Cheapness, but Abundance.

The apostles of the second period, when pressed for explanations, were profusely apologetic, and justified the circumstances with all the sophistry at their command. While endeavouring to take all the credit for cheapness, which did not exist, they argued "Free Trade does not bring mere cheapness: it brings abundance." This ruse did not avail them much. We all know that cheapness is a word with a definite meaning, an expression capable of being defined by figures; but "abundance," while possessing a high-sounding note that could be played upon at the will of the player, and could be made to produce confusion in the minds of listeners, might be understood to mean either cheapness or dearness!

The result was that the men who elected to believe that "abundance" meant "cheapness" placed implicit trust in the shibboleths which bore the hall mark of Free Trade. "Free Trade is cheapness," "The little loaf and the big loaf," and similar platitudes came into general acceptance, and they became stock arguments, while theories, right and wrong, were alike discarded.

Has the fancy of a Free Trader ever been struck by the contradiction and the shabbiness of the dictum that "the richest nation of the world was to be made happy by mere cheapness"?

Catchwords.

It is truly remarkable how far-spreading an influence, for good or for evil, a few men may exercise upon the community. It is equally astonishing how strong a hold can be exerted over the minds of the masses by catchwords and popular phrases, the real significance of which are not understood. The Frenchman terms these sententious dicta epigrams, and coins them by the thousand. He takes a delight in their enunciation, but he does not believe in them. Neither do they influence him. We are less voluble arguers, and it is rarely that an epigram takes the fancy of our public. I do not recall a single "catchword" of even that greatest of all talkers, Gladstone, which is to-day remembered or quoted. But when the public fancy is tickled by a phrase, it sticks to it like a leech, and swears by it, and employs it to rebut a thousand arguments by the iteration of three or four words. What a splendid phrase, for instance, is "Grandmotherly legislation" in the mouth of the statesman or politician who is averse to law making. How thieves and

rascals must heave blessings upon the man who invented the phrase "Liberty of the subject," the "Majesty of the public," or "An Englishman's house is his castle." Those of our writers who suffer from lack of imagination would no doubt resent it if they were asked to relegate to oblivion that most equivocal of all catchphrases which has done duty for nigh on 100 years—"A nation of shopkeepers." What a godsend are the two words "Continental Sunday" to those who shut our museums and open our public-houses on the Sabbath day!

This applies equally to our present system of trade. Those who hold with it ought to raise a statue, higher than Nelson's, to the man who invented its name.

If you want to catch the British public, play upon the words "Freedom" and "Liberty," and they will be your slaves. But no man is more a slave than he who thinks himself free and is not!

Ten thousand books could not have damaged protection as much as those two words, "Free Trade" have done!

Trade is exchange. To exchange we require two things, two men. Imagine two men in a country road having dealings with one another. The one has a loaded pistol, the other is quite unarmed. Would you term the latter "free," and the transaction a fair exchange? This is a picture

embodying the principles of "Free Trade." Henceforth we Protectionists must call it the "Slave Trade."

At the present moment Free Traders are at their lowest ebb. So far as I am aware no single book has appeared advocating their views for several years. The Cobden Club is dumb. Our newspapers seem to shun Free Trade questions, and if anything occurs which prompts them to treat of it in their columns, Free Trade arguments are studiously avoided. Our legislators never lift their voices in defence of Free Trade, unless they are absolutely forced to.

The discussion on the sugar question, which was recently forced on the Chancellor of the Exchequer, necessitated a reference to our commercial policy. His two main arguments were, that if preference were given to our own Colonies, Germany might withdraw the "most favoured nation clause," and that the whole question had been thrashed out 40 years ago. Imagine Mr. Broderick replying to a debate on the inefficiency of our cannon with the statement, "His critics must be mistaken, because Nelson and Wellington won victories with these very same guns"! Yet more changes have been wrought in international trade during the last 40 years than in military science during the last 100 years.

We need not therefore be surprised that a few

stock phrases are the only argument which the public possesses respecting Free Trade,⁷ and that these are antidiluvian. "Free Trade has made England rich," "Cheap bread for the working man," and "Cheapness for the Consumer."

I will now try to establish three main principles :—

- (1.) That if under our present system we obtain cheapness in many articles, it is either temporary cheapness, or the principal determining factor is not Free Trade.
- (2.) That many articles are not cheap.
- (3.) That if cheapness must be the essential, Protection can bring as much as can Free Trade.

As we have no reliable data on which to base our calculation of a National Balance, so we have no means at present which would enable us to establish the important fact whether Free Trade gives us *real* or *imaginary cheapness*.

By cheapness we must understand the difference in value between the prices paid under Free Trade and under Protection, and therefore the only comparison that is possible is a table of differences between the prices charged for a precisely similar article, and under the same relative conditions, in this country, and in protectionist countries such as America, France, Germany, &c.

Popular Beliefs.

All we have to go upon is strong popular belief, which lacks any tangible evidence, and such views as may be held by people who are acquainted with foreign prices. These views are generally unreliable and fraught with prejudice. A man buys a hat in New York and pays five dollars for it. On previous occasions he has bought his hats in London and paid only five shillings for the (to his judgment) identical thing. He thereupon jumps at conclusions and avers that "everything" is dearer in New York than in London. Yet he may be wrong. There may be a difference in quality which he cannot discern. We all know that one can buy a "bowler" hat in the city for 3s. 6d.; while a similar article, looking very like it, will cost 18s. 6d. in Piccadilly.

Paterfamilias takes his family to Germany, and has occasion to buy a loaf of bread, a piece of cheese, and a leg of mutton. He pays more for each of these than he would in London, yet he pays far less for his *table d'hôte* served in good style than he would do for a dinner anything like as good in this country. It would be easy to multiply instances of this kind.

There can be no question but that we can buy a multitude of articles in England more cheaply than elsewhere, but it is, on the other hand,

incontestable that many things are dearer. *Cheap bread* is commonly instanced as the foundation of all cheapness. I know other countries in which bread is as cheap as here, but supposing that its cost is the lowest in this country, we must not forget that people spend money on many articles besides bread. If bread be cheap and butter dear, bread and butter may prove costly. Again, it is quite possible to have Protection and yet have bread untaxed. At present, England may be likened to the shopkeeper who puts an assortment of very cheap "catchpenny" articles in his window, in order to get a reputation for cheapness, and, trading on that reputation, he is able to sell the rest of his stock at high prices.

Then we must distinguish between cheapness which we may obtain for raw produce and the price the consumer has to pay for the finished article.

Wheat may be cheap, yet the consumer may have to pay a comparatively high price for bread.

Again, it must be borne in mind that there are many other causes of cheapness besides Free Trade. Every business man knows that clever buying depends upon the adroitness of the buyer, and cheapness on the quantity bought, the mode of payment, and also on the time (of the year, &c., &c.) at which the articles are bought. To sum up. The bare statement "Free Trade means cheapness"

is, to say the least, erroneous. It should, in any case, be qualified by hundreds of exceptions, so many indeed as to convert the adage, and cause it to read—"Free Trade means dearness."

We Protectionists are constantly met, when we attempt to reason with Free Traders, with this catchphrase, which is based entirely on popular belief, the outcome of inexperience and the result of ignorance. I protest against this method of dealing with questions which involve, not only the prosperity of the country, but the very existence of the nation.

How Commodities are made dearer by Free Trade.

I will now proceed to show that Free Trade must make commodities *dearer*.

Our armchair economist, when holding forth on the subject of cheapness, seeks to settle the whole question by an arithmetical example. He puts it thus: "If," he says, "the cost of an article is six shillings, and you add a duty of one shilling, the cost of that article must be increased to seven shillings." Having thus, according to his lights, established this proposition for all time, our Political Economist proceeds to wonder how it is that anyone can be found to listen to "tedious Protectionists" who are "constantly making un-

comfortable prophecies, and raising unnecessary alarms"!

The majority of these champions of protesting innocence are entirely innocent of the subject on which they lay down the law. Few of them have ever made six shilling's worth of goods. Fewer still have ever sold seven shilling's worth. They speak from rumour and hearsay, and accept as truths the fallacies of other men. They are utterly incompetent to deal with trade questions.

These men of the six + one rule argue a step further. They say: "Suppose the article is not imported but produced in the protected home market, the result must be the same, with this slight difference; that the extra shilling goes into the pocket of the home manufacturer instead of into that of the Government."

The home manufacturer, therefore, becomes a protected Monopolist; the horror of horrors to the Free Trader!

The reasoning given in the above lines looks very palpable and seems quite correct. It is no wonder that those who do not trouble to think are taken in by it. The business man, however, knows better. He realises that it is quite the contrary that really happens. He knows that the selling price does not depend on these factors alone. There are others which, as I have already explained, alter, enhance, and sometimes reduce such selling prices.

These other factors may be, and often are, much more potent in ruling prices than the addition of a custom house duty can be. They are very numerous, but I will only mention two, which will suffice for my argument, viz., *Competition* and *Waste*.

Competition.

The enormous influence exerted over prices by competition is a favourite topic in the repertoire of the Free Trader. He is so accustomed to dwell upon it, to enlarge upon it, and to dilate over its advantages, that he has come to regard himself as its inventor, but for whom trade rivalry would be non-existent! Of late years he has preferred to substitute for "Competition," the phrase of the "Open door," another misleading term used in regard to a species of Free Trade of the very newest blend. According to this, he throws the doors wide open—so as to encourage competition—and for the rest he trusts to luck. In the adoption of this course the Free Trader displays an altogether remarkable innocence. The operation of the "Open door" tends not to *create* competition, but to *kill* it.

For evidence of this it is only necessary to look around and note what has happened during the past twenty years. The facts are well within my knowledge, and within that of every manufacturer

in this country. It is only necessary to apply to these in order to get at the truth.*

England the Dumping Ground of the World.

Take any flourishing old-established English industry. The foreigner establishes a similar one in his country, based upon the experience he has been careful to acquire here. Under the protection, and with the assistance of his government, he erects large works and puts down the best machinery, capable of turning out large quantities of goods.

Having satisfied his home demand, he seeks the Free Trade English market, and here offers his goods at very low prices, which need not involve any loss to the foreigner, as I have already shown. But the prices are so low as to mean a considerable loss to the English manufacturer, and the latter has to give up making the article. During the whole of this process we in England have been getting cheap prices, and the Free Trader rejoices. He has killed an English industry, but that does not concern him, for has he not got cheap prices?

The period of cheapness is, however, of short duration. It invariably happens that as soon as

* In order to preserve the continuity of my reasoning, I am obliged to repeat in the present chapter some of the matter which appears in that dealing with the manufacturer.

the English competition is killed, the price charged by the foreigner goes up to its old level. Then the English manufacturer may start again. But if he does so, the process is repeated: down goes the price, and the Englishman, and after that the foreign charge goes up again, and the cheapness is no more!

New Industries give Foreigners the Whip Hand.

Now take a new article, which means a new industry. During the past twenty years science has been very busy, and many new things and new methods have been invented. It is one of the curses of Free Trade that it will not permit a new industry to start. The reasons I have explained in Chapter II. The fact is so startling that I need not apologise if I again recite that no new industry has been started in the country for the last twenty years. Of course, in speaking of new industries I do not mean little workshops in backyards, but factories of equal extent and capacity to those doing the same work abroad. Now if there is no industry here, we depend entirely on the foreigner. *Where, then, is the competition of the Free Trader? It does not exist.* The foreign manufacturer has the whip hand, and we have to pay his price. Perhaps he will be generous, and, full of gratitude for our magnanimity in giving him our markets

free and for nothing, he will deign to give us cheap prices; but I doubt it, and believe that he will take the very opposite course, and make us pay dearly. Where, then, is the vaunted cheapness?

There *must* be competition to ensure cheapness. But it must be *competition of our own*, and in our own country, and it is this essential and effective competition which has been, or is gradually being killed by Free Trade.

Competition among foreign manufacturers themselves is of no avail to us and our Free Traders, who with pious horror denounce the English monopolists, make thousands of monopolists abroad, and cheerfully fill their pockets and pay their prices.

When we buy our labour-saving tools, our electric lifts and cars, our typewriters from America, our silks from France, our leather goods from Austria, our pianos from Germany, where does competition come in? Where are the cheap prices which Free Trade is supposed to ensure for us?

Waste.

Economics teach us that waste is the enemy of mankind. *Free Trade is the arch-producer of waste.* Consequently Free Trade must be our enemy!

It is the evident result of always trying to seek the "cheapest market" that the producer and consumer are brought further and further apart. The ideal of the Free Trader has always been to bring raw produce to England from the uttermost ends of the earth, and to ship in return the manufactured article. We have seen that foreign nations unanimously refuse to be parties to the shipping back process. They are, however, quite willing to perform the first part of the transaction, and our Board of Trade returns prove that they do this part with a thoroughness which it would be difficult to increase.

It is obvious that producers and consumers should be brought as close to one another as possible, and if this be done it follows that any extra work done between the places of production and consumption is unnecessary, and therefore waste. Waste of brain power, of energy, of money, and the greatest waste of all, which consists in a man doing a useless or a harmful thing instead of something that is useful.

Foremost in this waste comes our shipping and carrying to and fro. One of the claims of Free Trade is that it has helped our shipping trade. I will inquire into this contention elsewhere. For the present I need only draw attention to the prodigious waste involved in carrying goods from distant producers. The amount of money expended,

the number of men engaged, the precious coal consumed !

There is waste in warehousing, in bad stock, in carrying perishable goods, in errors ; but far more waste is centered in the man who comes between the producer and the consumer, and whom we call the middleman. On these heads I have so much to say and to explain, that I must devote a separate chapter to their elucidation. Here it suffices to say that all this waste and unnecessary expense, all this loss, must ultimately *be paid by the consumer*.

Facts known by the Public.

I have now given my reasons for affirming that the theory that "Free Trade means cheapness to the consumer" is a fallacy. The controversy upon this theory is attended by one great advantage, viz., it can be proved by reference to facts which are within the knowledge of the public at large.

Every one of my readers is a consumer, and I believe that at least 25 out of every 100 are not only consumers but are also traders or manufacturers, and, as such, conversant and intimately acquainted with some article of consumption.

To these I appeal for help in the collection of facts bearing upon this question of National

existence.* I would ask them to answer the following questions :—

- (1.) What article do you know well? (Any article, manufactured or raw—made in small or large quantities—or semi-manufacture or agricultural produce.)
- (2.) If the article is mainly of British origin, have you found that it has been partially supplanted by foreign competition during the past 10 years, and, if so, to what extent?
- (3.) If the article is of foreign make, do you consider that England is entirely dependent upon the foreign manufacturer or producer, and if so give your reasons for this?
- (4.) What, according to your experience, is the lowest possible price at which the article can be produced? What is the price the consumer has to pay? Through how many middlemen's hands does the article go on its way from the place of its production to the place of its sale? If

* For the purpose of attaining such information and of collecting and disseminating the truth about Free Trade, I intend opening an office in London. I hope shortly after the publication of this book to be able to advertise particulars of this scheme.

possible state what profits are obtained by the successive middlemen.

- (5.) Compare the price paid by the consumer in England with the price paid for the same article by the consumer in a protected country, say Paris, Berlin, New York, &c. In doing this state what the duty is in the foreign country and endeavour to compare under equal conditions, *i.e.* quality and place of sale, shops in rich or poor neighbourhoods, &c.

If answers to these questions can be obtained for, say, 100 different articles, the facts elucidated will go further and prove of greater value than a thousand arguments.

I plead for the establishment of *Truth*. We are living, as far as our economic position is concerned, in an atmosphere of ignorance. Ascertain facts and truth, and you will find that the ideas and theories upon which we base our daily work are not in accordance with them.

Free Trade is being worked under false pretences. Under its operation we are paying from four to five hundred million pounds every year to foreign nations ; we enrich them while we pauperise ourselves.

CHAPTER VI

THE MIDDLEMAN

“To those indeed who observe how large a proportion of the advantage of the extreme cheapness of articles goes simply to the middleman, and not to the consumer, it will appear very doubtful whether a low corn duty would have any perceptible effect on bread.”—*Lecky*, “*Democracy and Liberty*.”

I have made many attempts to discover a Free Trade theory applicable to the middleman, but without success. I have searched books emanating alike from the old and the new school of Free Traders, but have failed to discover any serious attempt to deal with the subject-matter of the present chapter. The economists of the early period of Free Trade dilated at no inconsiderable length on the part played by the manufacturer and the consumer, but they do not appear to have realised that there was any other person of sufficient importance to be taken into consideration. The Free

Traders of the later period have become so accustomed to the presence of the middleman that they fail to notice his influence on the trade of the country, and find nothing noteworthy in his intervention.

This fact is one of the most remarkable in connection with Free Trade. The sway of the middleman is paramount under the present system, and yet his existence is little noticed, and his influence little understood. Notwithstanding this, the middleman is the central, the all-pervading figure in the drama which is being played. To attempt to discuss Free Trade without taking the middleman into account, would be like playing Hamlet with the Prince of Denmark omitted from the cast.

A famous French detective, when asked his opinion as to the explanation of a mysterious crime, replied: "Cherchez la femme." To those who seek to solve the mysteries of Free Trade I say, "Find the middleman."

The middleman is omnipresent. There is no evading him or the banal influence of his works. Let us go through a brief catechism. The result will prove instructive.

Firstly. Why do nine out of ten Englishmen profess to be Free Traders?

Secondly. How is it that, while Protectionists assert that our manufactures are being ruined, and

our landed proprietors have lost hundreds of millions, our nation seems to be as well off as ever?

Thirdly. If our workmen and manufacturers have to give up their trade, and if our villages become depopulated, what becomes of these men and their families?

Fourthly. How is it that foreign manufacturers are so well informed about our wants?

Fifthly. How is it that the farmer who lives thousands of miles away can supply us with eggs and dairy produce, while the farmers living right in the midst of our own markets cannot compete?

Sixthly. How is it that it costs more to carry a ton of goods from Folkestone to London than from Paris to London, *via Folkestone*; and more to bring fruit up from Kent than from Normandy?

Seventhly. How is it that our income tax returns are not reduced?

Eighthly. How is it that our imports are constantly increasing?

Ninthly. How is it that our exports are stationary, and even declining, while our population is increasing, and we are constantly spending blood and treasure in acquiring new markets for our wares?

Tenthly. Why is the cost of living in England so much greater than the cost of living abroad?

A careful investigation of the methods of the middleman will provide the inquirer with material which will clear up most of the paradoxes contained in the above questions. Before proceeding with my analysis, I want to point out that it is an injustice to regard the middleman as an unmitigated evil. The middleman is by no means always synonymous with the "sweater." He has many good qualities, and serves a useful purpose in our national economy. If, therefore, any of the readers of this book happen to be middlemen they need not take umbrage at anything I may have to say in dealing with the middleman—as a whole.

The middlemen form the largest class concerned in the country's trade. They are also the wealthiest, the most influential, and perhaps the most respectable portion of the community. In short, everybody who is not a producer (excepting the idler and the purely professional and official classes) must naturally be a middleman. I include, therefore, the banker, the merchant, the shipper, the railway man, the carrier, and hundreds of others—clerks, porters, sailors, workmen, &c.—in the category of middlemen.

The work accomplished by the above-named classes is an obvious necessity, and it follows as a

matter of course that these people who intervene between the man who makes and the man who consumes must be paid for their services. This, of course, tends to make the commodities dearer. The question which will occur to us is this: Has Great Britain, under the existing Free Trade system, more middlemen than is absolutely necessary, or more than she would have under a system of Protection; and is their influence conducive to the ultimate benefit of the whole nation or no? Let me give you a parable.

The Landlord and his Villagers.

There was once a rich landlord — A — who owned much land. On the borders of his estate he had neighbours, who possessed fruitful acres, whom we will term B, C, and D. Believing his neighbours' lands to be more fertile than his own, A decided to discontinue the tilling of his own fields, and to either farm those of his neighbours or purchase from them the produce he required.

The lands held by B, C, and D had been but little developed. Therefore A assisted his neighbours with money and advice. He aided them to build roads, and provided them with improved implements.

When the crops had been harvested, the produce had to be carried a considerable distance, and the landlord, A, had to employ three times as many horses, carts, and men as had been required for the clearing of the crops of his own land. He had therefore to make carts and breed horses, and his establishment became much larger and more expensive. And as he turned his attention to these things, the village folk who used to till the ground became mechanics, grooms, and carriers, &c., and the entire method of life of all these people became changed. Warehouses were built for the storage of produce, and, in connection therewith, other trades and occupations sprang up.

In return for their produce the landlord sent his neighbours implements and clothing. He also lent them money for which he received interest in the shape of raw material, corn, &c. Thus by degrees the landlord and his villagers became more and more expert as cart builders, horse breeders, carriers, &c.; they also became bankers and intermediaries between the neighbours who used the landlord's carts to carry, and his warehouses to store their spare produce, prior to exchanging it amongst themselves.

At last some of the villagers went to the landlord and confessed that they felt uncomfortable. They protested that they did not approve the new methods into which they had been led. They

pleaded that they would prefer to return to the cultivation of their farms which were becoming untilled and uncared for, while all their time was devoted to carrying and warehousing and trade.

The landlord answered: "You are stupid. Look! you and I are ever so much richer than we used to be. Let our lands lie idle, the carrying and warehousing pays much better. It may be true that we lose a trifle by our lands being idle, and by the extra expense involved in all this carrying, &c., but the expenses go back into our own pockets and bring us some advantages, therefore any loss incurred is more than compensated."

But time proved that the landlord had made a serious mistake in his reckoning. He had only considered the question from his own standpoint. He had not calculated on the course which B, C, and D would take. He did not foresee that they would not rest long content with selling their produce to him, but that, seeing the handsome profits he was making by his trading, warehousing, carrying, and lending money, they would do their utmost to do likewise.

He learned these facts when he found his neighbours one by one refuse to borrow his money, or use his carts or warehouses, or to buy his goods. And he came to realise that it was really his own teaching that had educated the neighbours, and

that the opening of his own gates was responsible for all that had come to pass.

Here my parable ends for the present. Its continuation lies in the future.

The significance of the above parable is simple. The landlord and his villagers are the advisers and people of Great Britain. The lands are our manufacturing and agricultural industries. The carts and horses are our ships and railways. The carriers and warehousemen are our middlemen, and B, C, and D our foreign competitors.

If the reader masters these points thoroughly, he will understand what Free Trade has achieved in this country. It has fostered the *exchange* at the expense of the *production* of goods. *It has sacrificed the manufacturer to the interests of the middleman.*

Let us enquire into the effect of this manifestation. It is curious what a small proportion of the "educated classes" have any real appreciation of the actual conditions which control the country's trade. Among the politicians, journalists, lawyers, and the other liberal professions, from the ranks of which our rulers are drawn, there are but few who know anything of the scope and doings of those engaged in trade.

I am especially desirous that these gentlemen should be able to follow my reasoning on the vital

question of the middleman. I will, therefore, for their exclusive benefit, offer my services as cicerone amongst the classes most concerned under the classification of "the middleman," and let each speak for himself. I will begin with the shipping class, and follow on with the banker, the merchant or storekeeper, the carrier, &c., &c.

Our Shipping.

If we start from Westminster Bridge and proceed down river we come, after passing numerous historic buildings and fine bridges (most of which arose during the period of Protection), to the range of enormous docks which fringe the river along its bank for a series of miles. A walk through any of them cannot fail to impress the visitor. It matters not whether we choose the first or the last—the St. Catherine's, the London, the East and West India, the Albert, or the Tilbury. In each we see scores of vessels, ships, steamers, tugs and barges, loading and unloading; a perfect forest of masts, bordered by gigantic quays and surmounted by warehouses where the produce of nature and men are stored and exchanged, fetched and carried, brought from one extreme of the earth, and sent on to the other.

The wealth represented and the income derived from the work which goes on in the Port of London

is simply astonishing. Our mercantile marine exceeds that of any other nation, and the number of men employed is not far short of the number engaged in the fleets of all the other countries added together.

For these facts we may give unstinted praise, and unlimited credit to Free Trade.

Yet! there is a reverse side to the picture. Those who know will tell you that twenty—nay, ten years ago, the Union Jack was flying from almost all these vessels. To-day you will notice that of the ships described, a large proportion are flying foreign flags. And the sight sets us thinking, and we ponder how it will be in years to come. Shall we be able to hold our supremacy as carriers of the world, or will the foreigner succeed in practically winning our shipping industry away from us?

Free Trade gave us this great occupation. Can Free Trade retain it for us?

The shipping industry provides casual and ill-paid employment for thousands of labourers. Their work is of the roughest. Yet they flock to the Dock gates in huge crowds at dawn each day, in the hopes of being taken on, if only for half a day, at the munificent wage of sixpence an hour. Would it not be better for these men, alike for themselves and the country, were they employed in healthy farmyards and in bustling

factories, where they and their children could learn a trade and improve their intellects and morals, and earn more than the fitful pittance doled out to them at the dock gates? The enervating waste of human material in the East End is one of the most doleful of the gifts of Free Trade. The great panacea has never proved a benefactor to the poor.

Our Railways.

Our railways used to be the best in the world. They served as a pattern to other nations. They were the most comfortable, the safest, and the best managed. They afforded the quickest possible means of communication.

Free Trade has done much for our railways. That is undeniable. But will Free Trade continue to keep them in the foremost rank?

At the present time the carrying powers of our railways are much impaired. Greatly needed improvements are postponed and shelved. The need for feeders, light branch lines, electric roads, modern cargo ships and labour-saving devices is pressing, but it is not supplied. Many of our railways cannot find the funds necessary to provide such necessities. *They have, like many of the Institutions fed by Free Trade, been improvident.* They have piled up vast capital accounts by dint of paying for necessary improvements out of capital

instead of out of revenue. The improvidence noticeable in the conduct of these railways is one of the most marked and most characteristic resultants of Free Trade. It arises from the encouragement of an unadulterated optimism. The Free Trade apostles have always preached, not only national prosperity, but continued national prosperity, and our business men believed it and reasoned (!) what need to lay by for a rainy day? It is never going to rain any more. Much of the hold which Free Trade has obtained over the unthinking multitude, is due to these optimistic prophecies.

Banking.

Lord Avebury, speaking the other day at a Chamber of Commerce function, congratulated the nation upon the fact that the *volume* of our trade is still increasing. It is somewhat surprising to find a man with his experience, and occupying the position he does, find cause for congratulation on the increase of our *Imports*. But I recall the fact that Lord Avebury is a banker, and to *him*, imports are just as valuable as exports. Both require the aid of a bank. Both bring commission. Lord Avebury, speaking from the standpoint of the middleman, was justified!

We used to be the bankers of the world! If a man in Madrid wanted to pay a sum of money to a

man in New York, he bought a draft on London—the acknowledged place for the settlement of international obligations.

Consignments of produce from every part of the world are similarly sent to this country, where advances can always be obtained against warrants from our banks. Large profits are made in this way and our merchant bankers develop into merchant princes. It must be admitted that Free Trade was largely responsible for bringing this state of things about. It provided the requisite incentive for such transactions. Our banking world is very rich. And yet I was astonished to hear a statement made quite recently by the chairman of one of our great banks, to the effect that the London money market is getting more and more under the influence of foreign banks, and into a dependent position. This statement I regarded as a warning of grave import.

Our Warehousemen and Merchants.

Unlike its prototype in Rome, St. Paul's Cathedral is not flanked by a grand colonnade. It is bordered, nay, surrounded by huge warehouses, immense buildings containing the offices of our merchants and their employés, and stacked with goods. Throughout the whole of the "City," and beyond over many square miles, the whole area

is given up to business and to money-making. No space can be spared for the habitation of man. A few caretakers and night watchmen are the only occupants of these storehouses, in which space is too valuable to be allotted for the purpose of habitation. Throughout the day hundreds of thousands of workers are in evidence; they swarm in from every direction in the morning, and find their homeward way at night with unceasing regularity in the working out of their allotted destiny, to toil in order that their employers may become rich.

The amount of money made in the City of London must be prodigious. Self-made millionaires abound. The total sum paid in wages and salaries exceeds that paid to the whole working population of some of our largest manufacturing towns. Were it possible to investigate the income tax returns, we should find that the City of London is the backbone of our revenue.

The value of land in the city has risen by bounds until it reached a seemingly fabulous limit. Much of the soil belongs to the Corporation and the City Guilds, and these are constantly growing richer, owing to the unearned increment which so regularly takes place in their rents.

I know of a case in which a 50 years' lease, at a rental of £120, fell in last year, and it was renewed at a rental of £700! It may in fact be said that a few square yards of freehold in the

City of London have increased during the past few years more in value than thousands of acres in Essex have been reduced.

Is the nation a gainer by these circumstances? Who is the fairy who has produced all this vast wealth? It is the fairy godmother—Free Trade!

No other country can show anything to compare to the City of London. The Prime Minister tells us so at the Guildhall Banquet every 9th of November. What wonder that well-nigh every man in the city is a Free Trader.

I believe I am better acquainted with the city than any of the distinguished statesmen who have congratulated the citizens of London during recent years, and I could point out some very crucial and some very radical changes which have come over the territories presided over by Gog and Magog during the past few years. Twenty-five years ago the city had its hard and fast limits which marked its boundaries. They were, the viaduct on the west, Aldgate on the east, Moorgate on the north, and the river on the south. All this is now changed. Warehouse upon warehouse has been built for miles and miles beyond these boundaries. The change has, moreover, been accompanied by a number of phenomena which call for mention.

Among the most noteworthy of these is what I may term the decline of the so-called Manchester

manufacturer. He may not have actually decreased in numbers, but he has most certainly not materially increased. Another point to be noted is the fact that the new warehouses which have been recently, and are still being erected, are divided into a multitude of offices, which are let to different firms or their representatives, instead of as of yore being occupied by the proprietors of one large concern.

If one examines the elaborate display of name plates which figures in the entry of most of these new buildings, it will be noted that the bulk of the names are not those of manufacturers, but of *agents*, and further, it will be seen that the great majority of the names are foreign. These are the offices of the representatives of the French, German, American, Belgian, Austrian, and other manufacturers. In short, every nation, and well-nigh every foreign firm of any prime importance, is represented in this City of London of ours. Meanwhile the representatives of our own Scottish, Irish, Lancashire, and Yorkshire manufacturers have not increased.

Thus is there overwhelming evidence of the progress made by the foreign trader in this country. The City of London has become his happy hunting ground, in which he is represented by the warehouseman, his agent—who is a middleman. And if one visits Manchester, Bradford, Glasgow, Liverpool, or any of the other trade centres

throughout the country, the same condition of things will be found in evidence.

The middleman is everywhere.

Our Geographical Position.

To my mind the condition of affairs I have depicted is exceedingly alarming, nay, perilous. The greater portion of the trading community throughout the country is being turned into middlemen, and this can only be ascribed in the main to Free Trade. There is a secondary and minor cause, which arises in our geographical position, which especially fits us by means of our many and excellent harbours for a transhipment or exchange trade between continent and continent, between nation and nation.

There is no doubt about the existence of this factor, and it is of considerable value. Indeed, when we return to a protectionist policy, it will have to be borne in mind, and precautions taken that the tendency thus encouraged by our natural advantages should not be interfered with or restricted.

But changes have occurred during the past 50 years; it has to be admitted that the all-pervading position of Europe as the ruling and civilising continent is undergoing modification. The most noteworthy factor in the bringing about

of this change is doubtless the remarkable progress made of late years by America. Second only in importance to this, is the acquisition of colonies by other European nations, and this process is at present only in its infancy. Formerly the sea was the great artery of the World's communications. Railways have changed this and are likely to change it much more. The construction of the Suez Canal and many other causes have tended to alter trade routes and interfere with commercial routine in many ways.

These considerations, and there are others which will doubtless occur to the reader, point to the fact that while in former times our geographical position used to aid our commerce as middlemen, our natural advantages have of late become much less ; and the ultimate consequences of the present trend of circumstances call for the careful consideration of our economists.

Monopolists.

I have now shown how a vast host of middlemen have become established in this country. To understand the significance of this fact it is necessary to investigate the methods and scope of action of our middlemen.

I have referred more than once to the word "monopolist" as being the horror of Free Traders.

It is one of their catchwords, with which they imagine they can quench their opponents' reasoning. If you prove to a Free Trader that the imposition of a duty would be a national benefit, his reply is: You manufacturers would obtain all the benefit; the consumer would have to pay more, and we should make you a monopolist.

In his heartfelt anxiety not to perpetrate such an economic crime, the Free Trader has notwithstanding created thousands of monopolists—thousands abroad, as I have already explained, and thousands in this country. The only distinction between these being that the manufacturing monopolist lives abroad, and the middleman monopolist lives in this country.

A couple of shipowners combine to pool the traffic to South Africa. They keep up fares and freight rates, and we manufacturers have to pay for them. Such shipowners are monopolists. A dealer on the Baltic Exchange, corners wheat, and he is a monopolist. There are plenty of them. But I think that the Free Trader treats this question in an unfair spirit. There is a good deal to be said against the exactions of a monopoly, but to apply unreasoning arguments to every case, defeats one's object. Monopolies have always existed. They will always exist. No urging of theories will abolish them, or prevent them being created.

Personally, I regard the monopolist as an insti-

tution which is not without its beneficial influence on the welfare of the nation. Monopolists are as a rule rich men, and the more rich men there are in a nation the better for it. The poor and improvident are always with us ; let us encourage and conserve men who will work and accumulate wealth. Such are the depositors of a nation's possessions, and the question which confronts me is this :— *Who is the more fitting keeper of a nation's wealth ; the manufacturer or the middleman ?*

In order to be a *successful manufacturer*, a man must work hard. He must acquire knowledge and be a leader of men. His risks are great, and this tends to develop caution. He employs a large number of workmen, whose families are under his charge. Whatever profit he makes in the year, he expends upon improvements and extensions. He must acquire land, and build factories for his machinery and cottages for his workmen. His stake in his country is deep-rooted and great. Leaving the question of abstract patriotism on one side a successful manufacturer must be a patriot, for the reason that his material interests are bound up in the welfare of his country.

The case stands quite differently with *the middleman*. His labour and work are comparatively easy. He need not invest a shilling in the soil of his country. He hires an office, or a warehouse, and a house to live in. His risks are but slight, and he

employs but few workmen, and has no responsibilities. His gains, on the other hand, are great, and he makes money easily. He has always money in hand. His mode of life tends to become more and more luxurious. It is a case of money easily won and easily spent.

Thus it will be seen that the middleman has not got a stake in the country like the manufacturer, and it follows that it is to the interest of the nation to encourage the latter in preference to the former.

The Methods of the Middleman.

I have shown that the manufacturers constitute the most patriotic community in a commercial nation. They render great services to society. The middleman on the other hand is driven into egotism, and his very calling is opposed to the furtherance of patriotism. He is, as a matter of fact, the enemy of his country. It will, of course, be understood that while bringing this charge I refer to the middlemen collectively and not as an individual. How this comes about is easily shown.

There is a constant tendency in the natural course of commerce for the producer and the consumer to endeavour to approach each other and

thus do away with the services of the middleman. As sequel the middlemen will do all in their power to keep them apart. His interest is to separate the one from the other by as wide an interval as possible.

To take an instance. A city warehouseman makes it his business to sell ladies' dress materials to retail shopkeepers in the West End. Let us suppose that the same goods are made at Bradford and in Saxony at the same price. The middleman in the city would refuse to buy at Bradford, and would buy all his goods in Saxony. His object in doing so is simple. If he obtained the goods in Bradford the West End shopkeeper would sooner or later find out the manufacturer. He would deal with him direct, and thus save the middleman's profit. But if the goods come from Saxony, the distance, the foreign language involved, the question of freights and remittances, form hindrances which entail the services of a middleman being used. So long, therefore, as the middleman can draw his supplies from abroad he need not fear.

All these middlemen send their buyers to the continental manufacturing towns, their pockets full of money, their books full of orders and suggestions how best to get hold of the English market to the detriment of the English manufacturer. These buyers give large orders in order to get low prices, and to save in expense and carriage, and thus we

have further reasons owing to which the foreign manufacturer obtains orders of greater volume than his competitor would secure under equal conditions.

The English middleman, therefore, constitutes himself the financier, the auxiliary, the adviser, teacher, and friend of the foreigner, and the enemy of his fellow-countryman whom he regards as his competitor !

These facts are sufficiently serious in themselves ; but their influence is spreading wide, and carries with it a species of demoralisation in business circles which leads to unfair dealing, bribery and dishonesty. What could be more galling to a manufacturer than to find his own patterns and designs copied or imitated ? He has devoted much time, money and ingenuity in their preparation, and just as he thinks he is about to reap the reward of his labours, he finds the same, or very similar articles, on the market at a lower price than they cost him to produce !

This is a matter of constant occurrence. It produces anomalies which are extremely damaging to trade. Only the other day one of my customers complained to me that a rival of his was selling one of the specialities I manufacture at less than my own selling price. He showed me a specimen which I could not at first distinguish from my own ; but on careful inspection, the colour of the lacquering betrayed its German origin.

We often wonder how it is that the foreigner gauges our requirements so well, and I have heard it suggested that they are better informed than we, and take more trouble. I am, however, sure that they are no cleverer than we. The explanation of their acuteness is to be found in activities of our middlemen.

Untruths.

There exists in commercial transactions a certain licence in regard to telling the truth. But the practice of palming off foreign goods as English has attained the dimensions of a crying evil. The scandal became so great that legislation was brought to bear upon it, and the "Merchandise Marks Act" became law in 1887, and has ever since served as a monument of misguided legislation. The Act is of no value to the English manufacturer. It does not assist him a bit. But it is of immense benefit to the foreigner, to whom it entails a magnificent advertisement.

It is exasperating to the British manufacturer to note the subterfuges and misstatements, sanctioned by the laws and customs of this country, under which foreign traders obtain orders from our large consumers. There is no compulsory registration of the names of trading firms in England. Any man can trade under any name or style he

pleases ; or he can, for a small fee, register himself as a limited company under any appellation he chooses. A foreign firm can instruct its travellers or agents to canvass for orders under the style of "John Smith & Co.," or "The National Trading Company of Cheapside, London," or "The Standard Works Company, Limited," and so on.

Under such imaginary designations tenders are sent in and accepted, under the impression on the part of the customer that the work will be done by an English firm. This is, however, a pure delusion. The goods come from abroad and the "firm" in London acts only as an intermediary, strewing dust in the public eye. It is done by implications generally. No lies are told but the truth is suppressed, which is worse.

Another form of deception, which occurs frequently, is where a manufacturer finds he cannot make in this country goods as cheaply as he can buy them abroad. He thereupon gives up making, supplies his regular customers with foreign-made articles—which they suppose to be his own manufacture—becomes a middleman and—a liar.

A large importer of timber tells me that ten years ago he imported twenty ships' cargoes of building wood in logs annually. Last year he only imported two cargoes. But he bought many shiploads of "half-finished" wood, such as window-frames, battens, match-boardings, beadings, chair

legs, &c., &c. The man who had the saw mill buys the finished articles he used to make. It pays him to let the mill stand idle. But for how long will this be the case?

I have already referred to *the influence of the middleman's action on the prices* the consumer has to pay. By way of corollary I will here remark that in my opinion the interests of the consumer would be better served if they were in the keeping of a monopolist manufacturer, rather than in the hands of a monopolist middleman.

Middlemen in the Produce Markets.

I am not so well acquainted with the commerce of agricultural produce as with that of manufactured articles, but I believe that the middleman is equally prevalent in both.

The other day a daily paper published some articles on the *Importation of eggs*. It seems that we pay £5,000,000 annually for these necessities, which come to us from places as far distant as Denmark, Russia, and even America. It is a well known fact that these eggs could be produced in England, and they would certainly be better and fresher. The English farmer is unquestionably as clever as the Russian or Dane. Our climate is preferable for poultry; in fact the natural advantages are on our side. But the English farmer

gets no share in these £5,000,000. And why? Not on account of any help given to the foreign producer by foreign governments. Not because of any superiority in foreign education! It is because of the influence of the middleman.

The middleman is the organiser, the teacher of the foreign farmer. He advances the money, regulates the collection, obtains cheap freights, and rules the prices. Besides all this, he takes the lion's share of the profits! If one investigates the prices paid for eggs by the consumer, it will be found that, despite our Free Trade, "open door," "free breakfast table," call it what you will, we in this country have to pay more for our eggs than has the consumer in a protected country.

Thus we see that the middleman is not only the enemy of the English manufacturer, but he is also the foe of the British farmer. He will not allow him to live. The farmer is helpless. He may sell his eggs as cheap as he likes, he may combine, he may even (possibly) get cheap railway rates; all these will avail him nothing. Even assuming that he could, during a certain period, send eggs to market better and cheaper than the foreign article; down goes the price of the foreign middleman, who can afford to sell at little or no profit for such a limited period as would suffice to reduce the English competition to helplessness!

All this could be altered by a stroke of the legislative pen. All that is necessary is to *put a protective duty on eggs*. It would clip the wings of the middleman at once. It would encourage the English farmer, and our money would remain in our own country and relieve us from the constant drain now going on. And most important of all—the consumer would not pay any more in the long run.

The Fall of the Middleman.

When dealing in an earlier chapter with the three periods into which I divided the history of Free Trade, I admitted that the first period was all profit. I allowed that the second period, just completed, was 50 per cent. advantage and 50 per cent. disadvantage, the loss on our home production having been equalised by the profit earned by the middleman. I have prophesied in regard to the third period, that we are bound to lose all the advantages which still remain to us. By this I mean that the middleman will find his occupation gone just as the manufacturer has done.

Therein lies the moral of the history of the middleman. It cannot last!

I agree that we have made money by carrying, banking, and exchanging. We have become, in short, a nation of middlemen. *If Free Trade could*

ensure to us a continuation of this condition of things, by leaving production to other nations, we might perhaps forgive Free Traders their errors and rest content. But Free Trade is powerless to attain this. It has led us on the wrong road, and its outcome will be a reaction on the very men whom it had fostered.

Anyone with an unprejudiced eye must see that we have "backed the wrong horse." Every sign points in the same direction. We have sacrificed the producer in order to assist the merchant. But his fall is imminent. *No nation can live upon the middleman alone!*

It is curious to note how oblivious are our public men to the most obvious signs. Mr. John Morley said in a speech he made only the other day:—

"People had said he had given up Free Trade! They might as well say he had given up peace! Free Trade is the cause of England's prosperity."

Does Mr. Morley realise in whose keeping England's prosperity rests at present? I will tell him. It is in the hands of people who are too weak to hold it any longer.

To treat this all-important matter by enunciating a few epigrammatic platitudes is unworthy of Mr. Morley's reputation. We manufacturers have a right to call upon him to investigate our commercial position on the lines I have indicated.

Should he disagree with us, let him guide us by his advice or give us reasons which we can test ; at any rate, we must hope that he will not leave this matter in the position in which his words have left it.

Confusion.

Self-opiniated men undertake an enterprise with the unwarranted conviction of doing good and making money, while the result often is the reverse of their intentions. They make mischief and lose their money. So the blatant, obstinate manufacturers of 60 years ago, who cried down the voice of prudence, caution, and experience, intended to make invulnerable the future of their own calling and have managed to produce the opposite.

Free Traders do not weigh the different resultants nor make due distinction between industry and commerce, between manufacturing and trading, between production and exchange.

These methods of gaining our livelihood, so immensely different, are mixed together in the understanding and reckoning of our commercial and political system, and thus produce confusion in the accounts and the minds of the nation, and hide to superficial observers the true defects and consequences of an insane policy.

CHAPTER VII

THE WORKING MAN

“ Depend upon it, nothing can be got by fraternizing with Trades Unions. They are founded on principles of brutal tyranny and monopoly. I would rather live under a Dey of Algiers than a Trades Committee.”—*Richard Cobden (John Morley's Life of Richard Cobden).*

“ Protection will not content itself with enriching manufacturers, but will be called in to give high wages and shorter hours of labour to your workmen.”—*John Bright's Letter to an American Manufacturer.*

It is difficult to understand how men professing such views could at the same time have posed as friends of the workman. Yet contradictions equally striking are met with whenever we investigate the relative positions of the Free Traders and the labouring classes. On the one hand they make constant promises of friendship, and on the other they do all they can to increase competition, which

the workman has to face, and to reduce his wages.

What has Free Trade done for the workman? Has it solved, as was promised, the problems of the poor? Has it made their poverty less, their lives more easy, or their future more assured? Is the labouring man saving more; is he better housed, or better educated? And, finally, has Free Trade lifted him out of that base and inferior social position in which the English working man has to live, a position which is inferior to that occupied by the working men of most other countries?

I reply that Free Trade has done absolutely nothing for labour. Go down into the shadow of Free Trade Hall at Manchester and study the existence led by the working man; you will find him sickly and ill-fed. His wife goes ill-dressed and sorely tried to provide meals for the rest. The children go barefoot through the muddy streets. Whole families herd together in two small rooms. All signs of comfort or healthy recreation are missing. The all-pervading gin shop affords the only species of entertainment, the sordid aspect of its surroundings sheds an air of gloom on all around. When enlarging one of my factories in Manchester not so long ago I bought by auction 26 houses which had for years been tenanted by

working men. They fetched £20 a house, and that within a mile of Free Trade Hall!

And yet the Free Trader claims that the working man is his supporter; that he adores Free Trade. The suggestion is absurd. The working man can never be a Free Trader, for the reason that Free Trade is, and always must be, his most deadly enemy.

What the Working Man wants.

Free Trade cannot possibly give the working man what he ought in common justice to have. He should be in a position to demand *good wages*, so that he may be able to live decently and give his children a good education, as well as to put by a modicum for a rainy day and old age. This is the least that a working man should be able to command.

All the Free Trader has to offer him is cheap food to keep him from starvation. The Cobdenite cannot offer more, and may soon have to give up even this miserably low standard of living.

Cheapness.

This haphazard idea of cheapness is at the bottom of all the mischief. I have already explained that the early Free Traders never intended

making cheapness a plank in their economic platform. When, later on, however, it was seen that they were gradually losing every advantage they claimed, the Free Traders clung in desperation to the last one left them. And even this is failing them. The imaginary cheapness so boldly proclaimed means really frightful dearness, and the working man will have to drink the last bitter drop out of the cup which Free Trade has given him. Even the cheapest necessities of life must be paid for ; but what is the use of cheap bread to the workman if he can earn no wages ?

This has been demonstrated many times, but I repeat, what the workman needs is not cheap bread. It is good wages ! The workman has nothing whatever to hope for from Free Trade. He has, on the other hand, everything to fear from it. *Good wages depend upon the competition* with which the workman has to contend, *and the skill* he is able to bring to bear upon his work.

Foreign Competition.

I have shown how foreign competition influences the masters—its influence is no less pernicious in the case of the workman. Free Trade has opened England to the markets of the whole world, and the workmen of London and Manchester must compete not only with the workmen of New York and

Berlin, but also with the labourer at Canton or Bombay, where a man can subsist upon a few vegetables a day. As a matter of fact there is nothing to prevent an assimilation between the wages paid at Birmingham and those at Yokohama, inasmuch as the development of transport facilities and the increasing enterprise of other nations tend to equalise the rate of wages all the world over, and make these widely separated workmen work at the same rate, which will never tend upwards, but invariably downwards. Thus it will be seen that the lot of the Free Trade workman is even more disastrous than that of his master who has generally something to fall back upon.

I do not propose to dwell upon this point of competition by foreign workmen any further, but I will ask British working men whether they consider it right or fair to be exposed to the competition of the whole world, and whether they will not demand the right of selling their hand-work in their own country free from unfair competition from other nations, wherein people live under entirely different conditions ?

How will the workman answer this question ?

Right of Combination.

The one safeguard which enables labour to maintain its just demands is the *right of combination*. But Trades Unionism fails against Free

Trade entirely. The power of Trades Unions terminates there where their Membership ends; their influence is limited by the number of their adherents.

The governing bodies of some Unions having realised this fact, have endeavoured to obtain a solidarity between foreign workmen and their own members. Their efforts have been without result. Nor is this surprising. Why should the prosperous German workman link himself with the Free Trade labourer? What can the Englishman offer him in return? The foreigner already enjoys the use of our market gratis; and in his own he need not fear his rival, since his custom-house protects him.

Thus the foreign workman pipes, and the Englishman has to dance. The regulation of wages and hours of work rests in the foreigner's hands, and the British Trades Unions are utterly powerless against him.

The greatest failure which Trades Unions have ever experienced was the utter collapse of the engineers' strike, after an existence of six months, in the beginning of 1898. *The non-success of this movement was entirely due to foreign competition.* I belong to the Masters' Federation, and am quite certain that we should have had to give way to the demands of the striking unions had we lived under Protection in this country at the time.

Free Traders may see in this last admission a sign of weakness on the part of Protection. I do not, for reasons which will appear later on.

During the memorable engineers' strike Mr. John Burns, M.P., made the remark: "Foreign competition is a bogey." This distinguished politician is supposed to be a shrewd man. I can hardly believe that he meant what his words imply, but however this may be, his utterances have made a bad impression, and have done much harm to those who repose confidence in him. It would only be an act of justice towards his fellow workers if Mr. John Burns were to explain exactly what he meant when he used the words cited above.

The Skill of Workmen.

The skill of a workman in his trade depends almost entirely upon the teaching of the master, or such opportunities as the master can afford to give to the workman in order that he may instruct himself.

There is a trite saying which runs, "What is good for the master is good for the man." The interests of the master and the workman are identical. This is perfectly true, and where it is believed in, there the workmen are contented.

It is a great pity that belief in the above adage is not as general among British masters and men

as it might be. When a master says to a workman, "Your interests are also mine," the workman is apt to look at him with an inquiring glance as if he were saying: "He is trying to best me."

The fault lies with both sides, and is truly a grievous one. There must always be a jealous feeling between the man whose lot it is to work for his sustenance and the man who enjoys plenty without ever soiling his hands, although I believe that many a master would change with his workman if he could.

Beyond that, the feeling between master and man should never go. This truth may not be so apparent in times of prosperity, but it is clear enough when the master is the loser, for then the workman must be the loser too.

If Free Trade is a bad thing for the masters, it must be a worse thing for the men. This is clear and beyond dispute, but I admit that it does not follow with equal certainty that if Protection should prove a good thing for the masters it must prove an equally good one for the workmen.

Personally, I think that it would, and could give many reasons for so thinking. The foremost of these is the opportunity Protection would give the master for making his workmen *more skilful*. In addition to this benefit, Protection would bring in its train increased enterprise and increased success on the part of the master.

It would tend to open new industries, to introduce new inventions, with the accompanying provision of new machines and tools. These are the vital conditions necessary to enable a master to teach his workmen. Yet under Free Trade none of them are available !

If the reader will turn to my second chapter again, he will, I think, agree, that a manufacturer's enterprise is killed and his success rendered impossible under our existing system of trading. Read further, and it will be seen that knowledge cannot be acquired because the incentive is missing. New industries, inventions, and new machinery are, as I have shown, impossible under Free Trade.

Free Trade therefore actually prevents our workmen from becoming cleverer or better educated, both prime necessities for bettering their lot. This is not an academic proposition. It is actually borne out by every-day facts, and any manufacturer can confirm it.

In my own trade, the work in which most ingenuity is required is tool-making. Our workmen, mainly of the Birmingham school, used to be the best tool-makers in the world. They have now been outstripped by the German and American workmen.

Small metal work is now revolutionised by the introduction of elaborate stamping machinery, but

anyone who compares foreign productions with our own must perceive that the articles made by workmen under a protective system have of late years been vastly improved by the amount of ingenuity and skill which has been introduced into the processes of their manufacture, whereas our own workmen content themselves with working on the lines laid down more than 30 years ago.

But I am anxious not to be misunderstood. I affirm that our workmen are as clever, and as diligent, as the workmen of other nations. Their want of skill is not their fault—it is entirely the fault of our Free Trade system, and unless we alter that, any attempt at “technical education,” “apprenticeship,” &c., &c., must prove but a disastrous failure.

I have at my Salford works a system of free apprentices. These are lads of about fifteen years whom I take into my factory without premium. They engage themselves to work without pay for a certain period, while I undertake to teach them a trade. The plan works well. A better class of working lads could not be found anywhere. They are eager to learn, earnest, obedient, and hard-working. They form the nucleus of a type of young workmen who are loyal, disciplined, anxious to work hard and improve themselves, and endowed with good sound commonsense. No country in the world could produce a better stock of workmen.

As the lads grow into men difficulties begin to crop up. Many of them become sullen and despondent, and they seem to try and do just enough work to earn a living wage. Not only do they work against their employer's interests by this "don't care" attitude, but they endeavour to infect the others, by proclaiming such sentiments as "No use working hard, you don't get any forrarder"!

We are accustomed to hurl the phrase "British workmen" at these men. They are, however, not to be blamed. They began by being eager for work and knowledge, and their ambition was requited by putting them to some form of labour for 52 hours every week, and 52 weeks every year. No improvement, no promotion, no sympathy, no change; excepting that promised by the professional agitator, which in face of the monotony of their existence, and in face of hope and reason, these men consider better than none at all.

Thus our workmen come to be misunderstood, often even by those masters who study them; and we attribute to them laziness and obstinacy, while we neglect our most obvious duties towards them. On the other hand, the masters cannot do more under the enervating and deadly wet blanket of our system of Free Trade. They cannot vary the employment of their workmen, because they cannot undertake new industries.

Thus it has come to pass that under Free Trade

the workman cannot hope for good wages, because on the one side Free Trade exposes him to unfair competition, and on the other it prevents him from varying his employment and from acquiring skill and knowledge.

The Economic Struggle between Nations.

The master should do everything in his power to pay his workmen good wages. But he should not stop there. Our economical position demands imperatively that he should help to make his people efficient for the defence of our national industries.

The contest of "Free Trade versus Protection," or as foreign statesmen call it, "the War of Tariffs," is a struggle for mere existence. Lord Rosebery rightly termed it a "War between Nations, deadlier than the war carried on by means of cannon and rifles."

Is there a man in these islands to-day who would deny that it is war to the knife? And all the knives directed against the British manufacturer and trader? Who can doubt that this struggle for wealth has existed since the world began? Who will question if it will ever cease?

Yet there were men among us who denied it, or failed to realise the situation. History, philosophy,

diplomacy, were wrong in their eyes. They had discovered a panacea, "Free Trade, peace and goodwill among nations." This is the motto of the Cobden Club. It reminds me of the cry of the French Revolutionists: "*Liberté, Égalité et Fraternité!*" But, believe me, the wrong done by the guillotine is as nothing as compared to the disasters wrought by the Cobden Club upon our country.

The day will come—it is not far distant—when that motto will be hurled with execration at the memory of these "Peace and good will" men, by a nation which will awaken to find that its stronghold has been rushed because these men have left the gates undefended!

In their time, it is true, the supremacy of England's industries appeared unassailable; and they never dreamed that rivalry might one day be followed by attack and conquest.

Thus the fact that, seemingly, an external foe was not to be feared was the cause of more than one misfortune, the greatest being that it led to internal dissensions.

This is one of the main characteristics of the history of Free Trade. It has never yet been pointed out, to my knowledge; but its study affords many a useful lesson. When there is no outsider to fear, a family will indulge in jealousies and meannesses, and will quarrel among them-

selves. Cobden secured the repeal of the Corn Laws by setting class against class, farmer against landlord. One can read in the *Morning Post* of 1843 as follows :—

“Melancholy was the exhibition in the House of Commons on Monday. Mr. Cobden was the hero of the night. Towards the close he rose in his place and hurled at the heads of the Parliamentary landowners of England those calumnies and taunts which constitute the staple of his addresses to farmers The landowners of England; the representatives by blood of the Norman chivalry; the representatives by election of the industrial interests of the Empire shrinking under the blows aimed at them by a Manchester money-grubber.”

The disciples were not slow in imitating the master's execrable example. Read their history, their speeches and arguments, and they will prove to you that they incited party against party; the classes against the masses, tenant against owner, labour against capital, workmen against master. And all this was done under the auspices of ignorant benevolence, and sanctimonious professions of humanitarian principles.

Such insensate tactics should show us to-day how to gauge to the full the dangers that threaten us through the activity of foreign nations, and make us alive to their aims. They should remind us

most forcibly that it means war which we can repel only as a united nation that can put aside all class prejudices and jealousies.

It is worse than useless to call upon the manufacturer and our commercial classes to stand up alone and maintain our national wealth, upon which, after all, the power of the Empire and the welfare of every citizen depends. It is the main object of this book to bring this fact home to my readers.

Every one who lives in these realms has in this respect identical interests, and therefore every one should give his help. Foremost, naturally, we must place our working population, which forms our first fighting line, the rank and file of our industrial army. Any one who is acquainted with the present condition of the workers in our manufacturing districts will know that they are far from efficiently equipped for the performance of the task we have set them. They require reformation, instruction, and drilling.

The duty of our Government is apparent. So also is that of the masters, and of those thousands of men who, while not directly connected with trade, can yet bring influence to bear upon our working people.

Yet, my experience tells me that, obvious as this duty may appear to everyone concerned, *nothing of value will be done—nay, nothing at all*

can be done, so long as our Free Trade policy is persisted in. I even go so far as to say that *nothing should be attempted*, as all efforts must be doomed to failure, and would only result in the loss of precious time, and the obscuration of the actual state of affairs. The moral of these considerations points unmistakably to Protection, the *sine quâ non*, the first and only remedy, without which any interference with the *status quo* must only tend to aggravate the existing evil.

The subjects involved in this question of our working classes as necessary factors for our national prosperity, are so absorbing and important, that volumes might be written on them. In the present pages I have only sufficient space to touch upon the fringe of the matter, and will only refer to two particular reforms which I consider as of primary importance. They are :

- (1.) Raising the workman socially.
- (2.) Giving him healthier surroundings.

The Social Promotion.

Free Trade drags the workman down in the social scale. Under Protection we must do everything to lift him up. There must be more in common, more solidarity, more social intercourse between the master and the workman. Unfortu-

nately, this seems to be a quite unpalatable proposition to most of us. It should begin with our *schools*. I should like to see our primary education, the schooling of children of from 6 to 13, entirely in the hands of the Imperial Government, and carried on uniformly and under the same conditions for all classes, upper, middle and lower, rich and poor. This would involve the interference with many vested rights, and the abolition of various antiquated prejudices. It would also reform some of our most cherished ideas and institutions.

All this can be done. Matters will soon become too serious to allow this necessary levelling up process to be further postponed. And I aver that the simple reforms I have indicated will not be found to be either drastic or invidious in their outcome.

I can picture the reader saying, as he places these pages down with a shocked look, "What! send our nice, clean, intelligent children to those dreadful Board Schools! The very idea makes one shudder!"

But why not "level up" the Board Schools? I know many middle-class families who have to educate a number of children, and find the fees payable every term very heavy, and the educational results very poor, and yet these have to pay the school rates for the education of other people's children.

Be this as it may, the common schooling of all children, who should be treated as equal members of a united nation doing its utmost to keep the common enemy at bay, would have a most beneficial influence upon our working classes. "But," I hear the wise man say, "assuming we act on this principle, we shall over-educate them, and make Socialists of them all!" Granting, for the sake of argument, that this is so, I confess I would rather have among us well fed, well paid Socialists and Democrats, than starving workmen.

We shall have to sink these, and similar so-called "social prejudices," and keep only the common good in view, if we wish to make out of our working classes an efficient army, well drilled, properly equipped, and ready to do its share in the war between this nation and the rest of the world.

Healthy and Clean Surroundings.

Our factories are to a large extent inside our large towns, surrounded by an unhealthy and often polluted atmosphere. The health of our working population has suffered considerably from these causes, yet, while the necessity for transporting our workshops to the suburbs or the country is generally recognised, it has so far not been carried out to any appreciable extent, often because

the manufacturer lacks the necessary enterprise. There are various other difficulties in the way. One of the greatest is the attitude of land-owners, and the veiled opposition of those who have to be consulted. About three years ago I decided to transfer my factories to some suitable place where land was to be had, and where work-people could be housed and accommodated easily. I travelled through the greater part of the country, but found that very few suitable places were available. Moreover, the difficulty of finding a location was increased by the attitude of our great railway companies, which, instead of encouraging the enterprising manufacturer who brings them so large a proportion of their carrying trade, place all possible obstacles in his way. In this regard the railway officials are right down exasperating in their attitude of *non possumus*. One of the chief aims of the Protectionist must be to place the control of our railways under the Government. To achieve this would not entail any extended legislation. The contingency is already provided for. By the Railway Act of 1844 (7 & 8 Vict. c. 85.) the Government has the power to acquire the whole of the railways in the country at any time after 1862. Every Railway Act passed since then has been made subject to the Act of 1844. The terms of transfer are laid down at 25 years' purchase, estimated on the average profits of the three years

immediately preceding the announcement of the Government's intention to put the Act in force.

Except a few officials and directors, every one throughout the country would be a gainer. As it is to-day, even the shareholders are beginning to discover that one-sided management, devised on improvident and narrow-minded lines, does not in the long run pay.

In the country it is possible to look after the health and comfort of our workmen. We can procure air and space in their buildings and provide proper dining rooms, lavatories, and recreation grounds. We can also see that their cottages are healthy, and take pains to educate the *minds* of the lower classes.

Art embellishes life! We need not provide Italian opera, but we should not tolerate low-class music halls. Our museums and art treasures should be readily available wherever possible, and our clergy should assist us in making Sunday a day of intelligent recreation to our working classes.

I need not extend my pleas for these most obvious desiderata. It would be difficult to over-estimate their importance, yet those who are acquainted with the condition of the working classes know that they do not exist.

We have elected to live a life apart from the working classes. We have made no attempt to level up their social position. In consequence they

are strangers to us, and it is therefore no wonder that their actions are misunderstood.

Misunderstanding the Labour Unions.

As the doings of our workmen individually are not understood, so their actions collectively, as evinced through their Unions, are generally misrepresented.

The leader writer sits down and tells the Trades Unions that their short-sightedness, want of patriotism, selfishness, &c., is ruining the country, and tries to prove that if we could only kill Trades Unions all would be well.

Here is a quotation that may serve as a specimen to show the Fleet Street wisdom of these misleaders of public opinion. They have no idea of the conditions that govern to-day the industrial situation of the world; yet note the sweeping assertions which they unhesitatingly make to summarize what they do not understand:—

“ Sleepiness on the part of our manufacturers, and self-seeking on the part of our workmen; short-sightedness on the part of both; such is the diagnosis of the complaint from which British Trade is suffering in the beginning of the twentieth century. It will not look pretty in History.”*

* *St. James's Gazette*, 18 October 1901.

The writers of such dogmas fail to realise the faults which the English press has committed during the past 50 years, which are largely responsible for "complaints from which British Trade is suffering"; nor do they seem to know that to remedy these complaints, the English press must help and accept duties and responsibilities as much as the manufacturers and their workmen.

Speaking as a master with unusually great experience I give it as my opinion that the influence of Trades Unions can be made beneficial. Their existence is, indeed, almost a necessity—a species of safety valve—and I consider that we masters are ill-advised in doggedly opposing them, instead of endeavouring to guide and support them for mutual benefit.

The aims of Trades Unionism are simple enough; they are:—

To provide continuous work for all their members.

To see that at least a minimum wage is paid to each.

The Unions invariably oppose anything which appears to them antagonistic to these two aims. It may be a question of hours of labour, of interference or competition by other trades, the working of more than one machine, the introduction of new tools, the effect of "piece work," or other circum-

stances which may be regarded as affecting the workmen adversely, by the Union.

To term our workmen lazy or stupid because they oppose the working of new machinery is to misunderstand them entirely. I have employed thousands of workmen, and have never found them unwilling to work, or stupid, or lazy, in the sense implied by many writers.

They and their Union leaders are guided only by the fear, based on experience, that work will become scarce unless the individual does or sacrifices something for the whole body. This is perfectly intelligible and perfectly just. If in the endeavour to prevent the loss of employment the Unions make what seems unjust demands (such as an 8-hour day) the remedy of the masters would be a very simple one.

Guarantee the full employment of all the members of the Union at the minimum wage. In other words, see that work is plentiful.

Under Free Trade this is unfortunately impossible.

Let us assume now that Protection will make masters enterprising, bring new industries into our manufacturing towns, remove surplus labour to the agricultural districts, then there will be plenty of employment for every workman who knows a trade and is willing to work. Then the fear of loss of work will disappear, and with it all those

demands which the uninitiated regard as stupid obstructions.

I do not expect the millennium to follow on the heels of Protection. There will still be disputes and strikes. But there is a vast difference between the case in which the master is forced to refuse the demands of his workmen, because compliance would spell ruin, and that in which a master refuses because to accede would reduce his profits. Even in the latter case a master would often grant the demand made, but for the knowledge gained by experience, that times of depression will surely return, and a reduction of wages is always difficult, and sometimes impossible to obtain.

It is at such junctures that the usefulness of Trades Unions becomes apparent. The dealings between masters and men should be regulated only by one consideration — justice! But it is very difficult to convince a number of men of the justice of a master's action. The intervention of one of their own chosen leaders may on such occasions prove of the greatest value.

This is my experience. My managers and myself have had many direct dealings with leaders and officers of Trades Unions. The secretary of some Trade Union will write to us a letter, always couched in polite terms, suggesting that a certain wage or piece-work price is considered too low, and should be increased, or that some workman has a grievance

which ought to be considered. My managers have instructions to reply to such letters suggesting that a small deputation call upon them to talk the matter over. This is done, and the case in dispute settled. I know of but two instances in which I had to give way altogether to the suggestions of the deputations (they were never put in the form of demands). Whenever I could convince the officials that I was dealing justly, I could reckon upon their assistance in reasoning with the workmen, and inducing them to accept my terms.

I know that many of my fellow masters say they will not tolerate intervention in the control of their works, and on that plea consistently refuse to countenance "the interference of outsiders" between them and their men. I consider this a mistaken attitude. We acknowledge the right of combination, and yet we try to ignore its consequences. We should never forget that the workman suffers under many grievances. If he obtains sympathy, if he is brought to understand that certain evils are inevitable, but will be righted by the master if circumstances alter, the workman will bear them manfully. But if he finds his representations received with indifference, if he be met with callousness or impoliteness, he, being but human, will show his resentment.

Why have Workmen not called for Protection?

It must strike everyone who is acquainted with the subject I am dealing with, that workmen and their leaders have so far borne silently the injustices done to them by Free Trade. Even more noteworthy is the fact that they have not clamoured for that protection which is their due, and which, by the judicious employment of their parliamentary vote, they could obtain.

The reasons for this are not quite clear, but I will endeavour to indicate a few.

(1.) *Mesmerism*.—The British workman has been, like almost every citizen, taught to believe in Free Trade as if it were a religion—a thing to be accepted as a whole and not to be reasoned out; a thing, the ills of which were to be borne because some sort of a “Kingdom of Heaven” was sure to be the reward some time, or somewhere.

(2.) *Political*.—Many leaders of workmen are also much engaged in politics. The constant strife between party and party, the eternal Irish question, wars, serious and all-absorbing Imperial matters, &c., have during the past decade, and more, engaged the time and thoughts of politicians to such an extent that they were glad to leave commercial matters alone. It was short-sighted,

no doubt; but I have never found much wisdom in the political arena.

(3.) *Want of Teachers.*—The workman is never self-reliant. He has no opportunity or experience by which to gauge any matter beyond his own narrow horizon. Alone, he has neither influence nor power. He wants to be influenced, taught, and led. He may guess, but he cannot express, the Truth. I am convinced that it will be an easy task to teach and lead him, and if it be undertaken judiciously, the cry for Protection will come from the one quarter which must prove irresistible—the masses.

(4.) *The Acute Stage to come.*—The last reason I shall adduce is one which is not as generally understood as the preceding ones. It is that the disastrous consequences of our economical policy have not reached the workman *yet* to such an extent as to cause him actual want! A number of occurrences have so far combined to prevent this. Abnormal Government expenditure, home and foreign, on ships and armaments; the advent of electricity, which is revolutionising power, transport, lighting, &c.; the needs of the middlemen fostered by Free Trade during its second period! These and many other adventitious events have helped to provide work for many who would otherwise have filled the ranks of the unemployed; and beyond all these causes we have

the obvious fact that the losses which so far have been incurred in our manufacturing industries have been borne exclusively by the masters or shareholders of companies. This condition of things cannot, however, last much longer. Already we see signs of protest, in combinations among the manufacturers, and these have already been formed among the fine spinners of Lancashire, the dyers of Yorkshire, &c., some of whom have banded together to the number of thirty or more firms.

We must not for a moment confound these "Combines" with the "Trusts" of the United States. The Trusts are the outcome of the exuberance of success. *Our Combines are the last resource of a declining industry.* The avowed object is the reduction of expenses, which means a diminution in the number of workmen employed, and a lessening of the amount paid in wages. One man under one roof is to produce the former output of two men under two roofs. Already the Combines have shut down a number of factories, and whole villages of workpeople are thrown out of work.

If we do not heed the warnings of such signs of our times, if we do not listen to reason, if we go on enriching foreign nations voluntarily at the expense of our own, then I predict the course of events will be as follows:—

The numbers of our unemployed will increase. Our workmen and their families will feel the pinch

of hunger. There will be riots and bloodshed, a General Election and a change of Government. Then will follow panic—and Protection.

Protection thus brought about would, however, be dearly purchased. Let us hope it will be attained in some other way.

CHAPTER VIII

AGRICULTURE

“I earnestly recommend your Lordships not to lend yourselves to the destruction of our native cultivation. Its encouragement is of the utmost and deepest importance to all classes, and I earnestly beg of you not to consent to any measure which would injure the cultivation of our own soil.”—*From the Duke of Wellington's Speech, House of Lords, 1842.*

The Agriculturist and the Manufacturer are both producers, and the influence which our Free Trade policy exerts upon their callings is in the main alike.

I have maintained, and I believe proved, the disastrous effects produced upon our manufacturing industries. I now assert that the existing system exerts its baneful influence to a fully equal extent over that most important of all the nation's handicrafts: Agriculture.

Free Trade in Agriculture causes dearness in production, kills enterprise, prevents invention,

and the introduction of new methods. It makes attempts at technical education inoperative, and puts land out of cultivation and drives labourers away. It encourages that industrial parasite, the middleman. And has, in spite of dogmas and theories, failed to benefit the consumer.

I discussed the subject with a landed proprietor only the other day, and he summed up the situation as follows :—

“I know Free Trade has made landlords poorer, and it has done no good to the farmer or the labourer. I once thought that we had to suffer all this for the good of the workmen in the towns. It now appears that they have not been benefited. Indeed, it has absolutely injured them by driving farm labourers into the cities to compete with them.”

Free Traders themselves have become alarmed at the results of foreign competition upon the cultivation of the country. Their defence has been that that portion of the community which dwells in the cities have been the gainers. This plea is, however, only another of those delusions which have cost us so dearly.

It is now generally acknowledged that the ruin of our agricultural industries is not only a question of loss of money, but a disaster of national and political importance. The subject is now engaging the minds of many politicians and specialists more

competent than I to deal with it in detail. I need not therefore prolong this chapter, but will only add a few sentences.

We must protect our Agriculture. It is the most pressing problem of the day.

In imposing Protection we must discriminate between those products which our soil and climate permit us to raise in abundance, and those which we cannot grow in sufficient quantity, and for the supply of which we must therefore partly depend on the importer.

If we enact duties in such a way that they can, without any cumbrous "red tape," be adjusted to conform to the necessities of good and bad seasons, I feel certain such judicious protection would be immediately beneficial.

The result of such a measure would be to bring waste lands into cultivation, to encourage the population of the country-side, to raise rents; and the capital value of the land would regain hundreds of millions.

Landlords.

It goes without saying, that, were the above suggestions carried out, we should again hear that well-worn outcry: "You are creating monopolist landlords." It would be raised by people who, in their fanatical hatred of other classes, ignore

the welfare of the nation at large. Such as these are ever ready to cut off their noses in order to spite their faces. Let no true Protectionist join in such a cry ! It is a false, misleading, disastrous species of argument. Free Traders were not ashamed to use it ; though Nemesis is overtaking them.

But a warning to our landlords is not out of place here.

History records few more unaccountable occurrences than the manner in which our landlord proprietors allowed themselves to be robbed of their land and their birthright. They hardly raised a hand or a voice to fight against the foreign importation which lowered the price of all produce, reduced their rents, and made British land almost valueless. It is almost inconceivable ! These aristocrats were the rulers of our country, versed in the art of governing for centuries, and suddenly they seem to have forgotten the first principles of statecraft, as well as the duty they owe to the nation.

The possessions of our landed proprietors cannot be compared with the wealth of a self-made man. The land has been handed down to them from father to son *in trust*, not only for their children, but for the nation. No society would or could allow this form of wealth to continue for centuries if it were not for the knowledge that it forms a

National trust and carries with it important duties for the preservation of the State! *Noblesse oblige!*

Our landed proprietors have neglected those duties. The consequences are already clearly discernible. Their political power is waning, and they are fast becoming the servants of the democracy which will despoil them, unless they remember that nothing in this world can be obtained except it is fought for or worked for.

Now our aristocracy and our landed proprietors have another opportunity. Let them show fight in upholding their convictions and in regaining their properties, which are held in the interests of the people.

CHAPTER IX

RETALIATION AND RECIPROCITY

“There is no doubt that by abandoning duties which are useful to you for revenue purposes, you confer a great benefit upon foreign countries. Why should you not ask for a price in exchange for that benefit? Why should you not obtain for your own industries a benefit corresponding to that which you are conferring upon them?”—
Lord Salisbury at Newcastle, 1881.

The struggle for existence has its periods of truce obtained by mutual concessions. In private life, in business life, among politicians, among nations, the world could not exist if there were no mutual concessions.

Yet 50 years ago a handful of men persuaded the people of Great Britain that this nation could live among the nations of the earth without exacting any reciprocal privileges. And it was not to be by the exercise of that selfish principle of always taking and never giving, which some people seek

to practice, though in vain. It was to be the ever give and never take principle. It was to bring with it the acme of prosperity. We were to throw open the gates of our dominions, to let all our neighbours come in, unhindered and untaxed, and exploit us at their will. We would request them to graciously accord us the same privileges in their lands, but if they refused, it would be their loss and our gain, or at any rate our gain and no loss to them. It was a creed founded on the principle of "heads we win, and tails we shall not lose." One cannot help getting mixed in one's feelings when studying Free Trade arguments upon the question of reciprocity. It would be a waste of time to refute them now-a-days, and to do so would not enhance the value of my contentions.

The truth is simply this:—

No nation without power of retaliation can possibly exist for any length of time among nations with protective tariffs.

Not only cannot Great Britain afford to indulge in Free Trade, which gives up the power of retaliation, but it is the nation which, of all others, most requires this power if it wants to live.

We shall always, even under Protection, be dependent upon other nations for part of our food supply and raw materials. We must pay for them either by our savings, which cannot last, or by what

we produce ourselves, and such payment by selling must leave a profit. At present several nations sell to us for cash, but do not buy of us in return. They refuse to allow their subjects to buy from us, by the simple expedient of placing prohibitive duties on the importation of our manufactures. We *must* be able to say to those nations: "*We will in future buy from you only on condition that you buy from us.*" In other words, if you put on duties on what we wish to sell to you, we will *retaliate* by putting on similar duties on goods which you want to sell to us.

The result of such retaliation is Reciprocity—a bargain arrived at between two nations on exactly similar lines as between individuals.

This power of retaliation is the *only* weapon a nation has with which to compel another nation to lower its tariffs and to buy goods in payment for goods sold. It is inoperative or powerless only when one country possesses a monopoly in the production of an article which another nation is bound to have. There are such cases, but they are fortunately few. The outcome of retaliation is this:—That a nation will buy most from that country which offers the best bargains in reciprocity.

This principle is so plain that I will lay it down as an unanswerable dictum:—

England's very existence depends upon her

regaining the power of retaliation; and this can only be obtained by Protection.

Relations with Foreign Powers.

It is evident that the refusal to let in foreign goods duty free would entail negotiations with foreign powers, *and therein lies the difficulty.*

Up till now, through all the arguments I have discussed in these pages, I have not adduced a single cause which could oppose or restrict the introduction of Protection. We have now arrived at a difficulty, and a very formidable obstacle it is! There can, indeed, be no valid objection to Protection in England, for everybody in this country will gain by its introduction. The opposition will come entirely from abroad.

However unanimous the country may be, however concerted the classes and the masses may show themselves in favour of Protection, yet we may not attain it. For some foreign power, or powers, may object!

In plain English this means that Great Britain is no longer free to do as she pleases with her own in her own country—and further, she is still less free to come to an arrangement with her own Colonies to do between themselves as they please.

An Example showing how the Wind blows.

I have already referred to the speech of the Chancellor of the Exchequer anent the sugar duty question. His main argument was, that if we gave a preferential duty to our own Crown Colonies, *Germany* might withdraw from the "most favoured nation clause."

We wish to export a thousand different articles to Germany, and we have to pay a thousand duties. Germany imports into England thousands of various articles, and does not pay a single duty. We desire to have a free hand in the case of *one* article, in order to give preference to our *own* Colony, and we are immediately thwarted by Germany.

The 999 articles we allow to come in free count as nothing.

Is this Freedom? Is this Reciprocity?

Another intolerable injustice is disclosed in the present contest between Canada and Germany. The latter withdrew the most favoured nation clause because Canada dared to give preferential rates to her own people in Great Britain.

Free Traders are fond of speaking of our better, or less good customers. They take our Board of Trade Returns as their guide. These are misleading. Profit, not mere quantity, should determine who is our best customer.

Germany takes from us mostly coal and half-finished manufactures, notoriously leaving but a scanty profit, while we buy from Germany costly wares, most profitable to them. There is not much doubt as to who would be the greatest loser in the game of retaliation.

The United States.

There are, as I have already hinted, indications that the United States of America will some day seek to arrange reciprocal concessions with the other nations. England is by far the largest customer of the States, and in accordance with business principles ruling all over the world, except in this Free Trade country, we ought not only to have the first claim to such concessions, but we should also be able to compel their being granted. Yet no such offer will be addressed to us by the statesmen at Washington, because we have long ago given away all we had to give; which was accepted, not as a concession, but as a right! I doubt not but that ultimately the States will allow us the "most favoured nation" clause, expecting us, of course, to be truly thankful for such mercies.

It is a sorry spectacle, the saddest part being to see our own "men of light and leading" either

indifferent or ignorant. The eloquent teaching of this tragi-comedy seems entirely wasted upon them, as they pursue their way, wrapped up in their self-esteem, amid the contemptuous pity of those who exploit them the while.

If Great Britain should exercise the right which every other country exercises, *the right of retaliation*, the penalty will be International complications, the rupture of friendly relations with foreign powers, perhaps WAR !

Let no one dream of Protection unless he realise the risk to be run.

People may say that it is very wrong to speak out thus plainly on a delicate question of International policy—"Hush up" is their cry, concealment their policy—about the worst and the most futile; an ostrich-like behaviour which invariably brings about that which it seeks to avoid. It is a well-known fact that foreign nations are better informed respecting our position than are we, and thus the "Hush up" policy is one of the worst signs of our times.

Anyone acquainted with the feeling among foreign nations will on reflection support my assertion. We are in the position of the man who had opened his park to the public years ago—but finding that his visitors were damaging his property, he decided to withdraw the privilege which had been so wantonly abused. He was at

once confronted with the plea of vested rights, and became involved in a series of lawsuits as a reward for his public spirit and generosity.

The benefit which we have voluntarily conferred upon foreign producers, is a measure which will serve to gauge the loss they will sustain when we withdraw the privileges we have extended to them. They have enjoyed these for so long, and have used them to such marked advantage, that foreigners in every part of the world have come to regard the exploitations of these Islands as a privilege amounting to a vested right.

There can be no question but that on our adoption of Protection, our relations with foreign powers will be the most difficult matter with which we shall have to deal. There can, on the other hand, be no further doubt, that at any cost, and in face of any consequence, Great Britain must end the false position in which she has placed herself, and must give her subjects that protection which will end the existing unfair foreign competition. Procrastination will avail us nothing. The *International* aspect of the situation cannot but get more acute as time goes by.

The subject of this chapter is one of Politics and Diplomacy. It requires most careful thought, but the scope of the present volume will not allow me to devote more space to it here. I may have to refer to the subject again on a future occasion.

CHAPTER X

IMPERIAL COMMERCIAL FEDERATION

“As defence is of much more importance than opulence, the Act of Navigation is perhaps the wisest of all the commercial regulations of England.”—*Adam Smith*, “*Wealth of Nations*.”

FREE TRADE THEORY: TRADE FOLLOWS THE FLAG.

Coincident with the inception and development of Free Trade has been England's present policy of Colonial Government.

The essence of our Free Trade policy is inaction and *laissez faire*. Its fervent adherents were the rulers of England, and they adopted this comfortable policy all round, extending it even to their dealings with England's possessions over the sea.

It is to this cause that we owe the establishment of our “Self-governing Colonies,” a most simple method of dealing with the question. We said to our people living in other continents—“Do as you please.” We laid down no restrictions. We

imposed no safeguards, no provision for the future.

Under the delusion that any restrictions must curtail freedom of commerce, our reckless Free Traders *repealed our Navigation Laws* in 1849. These enactments were rightly held to be the foundation of our maritime power and prosperity. They certainly constituted a priceless monopoly against the rest of the world; yet we abandoned them without attempting to gain any corresponding advantage, or to obtain a single bargain of reciprocity from any other nation.

These well-tried regulations formed the basis of the union of the whole Empire; their repeal broke the precious chain of concord, and altered entirely the relative positions between the Mother Country and the Colonies.

The present generation thinks that the repeal of the remaining Acts of Navigation is ancient history, and that any effects, for good or evil, must have passed away long ago.

Therein we judge wrongly. The future historian will trace to this wanton destruction of the Nation's hard-earned monopoly, the origin of much that is happening to-day, and more that will happen in days to come.

We retained a certain number of settlements as "Crown Colonies," but we allowed them to do as they thought fit, and if they chose to exclude the

goods of the mother country, we declared it our policy "not to restrict them."

"Yet," says the Free Trader, "the greatest expansion of the Empire has been concurrent with the existence of Free Trade." We have annexed during that period enormous tracts of land, but if we examine each one of these annexations we find that, with few exceptions, each country was annexed, not by the exercise of any initial potential energy on the part of our rulers, but always through the fear that other nations might step in and take the available land. When, in order to prevent this contingency, we have planted our Flag on the newly acquired territory, we have invariably acted as a species of trustee for the benefit of the universe, and opened the country for the exploitation of the whole world. But never by any chance have we taken steps to benefit, or even to protect, the interests of the Mother Country.

This policy of colonisation being based upon the same "do nothing" principle as is our policy of Free Trade, must, like the latter, end either in failure or in being reversed. And when we seek to remodel our policy, we shall realise the absurdity of seeking to build up an immense empire upon no firmer base than a trust in the powers of nature.

Yet this constant annexation on the cheap is proving costly. It increases our responsibilities, decreases the security of the Empire as a whole,

and makes the preservation of our prestige, which is the basis of our power, more difficult.

It costs money, has necessitated wars and expeditions, and, worst of all, has placed us in a false position in regard to other nations, and aroused feelings of jealousy, friction, and misunderstanding, which must one day lead to open hostilities.

The defenders of this policy have but little cogency in their pleas. We are evidently not getting richer by following it. But while tacitly admitting this, they have a hazy notion that it is all "for the benefit of trade"; and here again they employ a catchword or theory to do duty for an argument.

They say, "Trade follows the Flag," "we must have new markets," and by reiterated utterances of such inanities seek to justify their attitude.

Such platitudes are on a par with the other Free Trade maxims, and are worthy of the brains which gave birth to the postulate, "Look after imports and exports will look after themselves!"

We are supposed to imagine that at the end of the Union Jack there hangs something of an indefinite nature which has some affinity to cotton, and is called "trade," and which follows the Flag just as a little dog on a lead must follow his master.

Unfortunately this idea of Free Traders is wrong, like all the rest of them. Not only wrong,

but, as usual, utterly opposed to the real facts. The truth of the matter is, English trade is not following the British Flag, but :—*The British Flag is followed by foreign trade!*

New Markets.

As regards the belief of our Government that by annexing territories in every corner of the globe, or by fighting in the far East for the “open door,” they are providing “new markets” to the British manufacturer, let me undeceive them, and assure them that it is not *such* markets that we want.

I speak now, not as a politician who thinks of coloured maps, of prestige, and of coaling stations, but simply as one of those British manufacturers who think of paying weekly wages, who require markets for their products, and have to satisfy the tax collector. As such I will state plainly what sort of markets a manufacturer wants, markets which our colonial policy does not give him.

A manufacturer wants, first and foremost, *his own home market*. We have here at our doors forty million customers—rich, living at a higher rate than any other people, and spending their savings freely.

This wonderful market we give away to all the nations of the world. This inheritance we take away from our own manufacturers.

Without our home markets foreign markets are useless to us. This is the Alpha and the Omega of our commercial needs.

A manufacturer wants, secondly, *the markets of our old Dependencies and Crown Colonies.*

Let no Free Trader claim that an English Dependency that trades upon equal terms with the whole world, is a market for the British manufacturer. Such statements may be allowed to rest buried in Free Trade text-books. If such a principle be accepted in politics to-day, it is worse than false. It is misleading. Look at India, and our West Indian Colonies. Give us these markets to deal in, and we need not look for new ones!

Thirdly, our manufacturer *desires our self-governing Colonies to treat him as one belonging to the same nation as themselves.*

In answer to my inquiries, my agents at Sydney wrote to me lately :—

“There is a growing feeling in Australia for a Customs Union of the Empire. We know that the fine display of patriotic sacrifices made during the war is not sufficient to keep the Empire together. Trade and substantial interests between the Colonies and the home country must be fostered, and the growing influence of other nations amongst us must be reduced. But we know it cannot be done one-sidedly. England must make the first step, and her foolish Free Trade stands in the way.

“Take my own case : Ten years ago I used to write about six long letters every mail day to business houses I traded with, and all those letters went to London. To-day I have to write beyond these at least one letter to New York, one to Hamburg, and one to Marseilles. The business I am doing with London is decreasing, and my transactions with other places are correspondingly increasing.

“If this goes on, my sons will in a few years have more to write, more intercourse, and more interest with America than with England ; and then good-bye to sentiment, and patriotism, and the ‘ old Flag.’ ”

How often have we said to other nations, “When you take Colonies you shut the door to others. We take territories, but you are all welcome to trade therein.” Some day we shall come to realise how foolish our attitude has been. We deceive ourselves, and have placed ourselves in a false position towards both the Colonies and foreign nations.

Without our knowing it, our action in this respect has been accepted by Foreign nations as an apology for our conduct, and has given rise to much misconception. Thus it has been stated that we could never have acquired our vast Colonies if we had not followed a Free Trade policy. In plain language, this means that other

nations would never have allowed us to plant our flag in over-sea countries had we not agreed to allow them to trade in them as freely as we do ourselves.

Our position in Egypt is a most peculiar anomaly. The man in the street says, "Egypt belongs to the British Empire." The man in Downing Street would add (*sotto voce*), "Subject to the consent of the Powers."

The case of Egypt is drastic. But how about the rest of our possessions? Are they also held, like Egypt, subject to the consent of the Powers?

Suppose Lord Cromer were to exert his influence at Cairo to obtain the issue of a decree according preferential treatment to British manufacturers over those of other nationalities, would Germany, Austria, and Italy consent, as they have consented, whenever it cost them nothing to do so?

Suppose Lord Curzon were to decree at Calcutta that British manufacturers were to be accorded preferential duties! Have we seriously considered what the other nations affected would do?

If this question arises in the case of our old possessions, what flood of doubt must overwhelm our minds when we think of those new markets which our thoughtless, planless methods of colonisation have so kindly placed at the disposal of our manufacturers.

When we shall have finally conquered the Transvaal, will our Statesmen tell us that they have given us a "New market"?

Will our trade follow the Flag into Johannesburg? I happen to have special knowledge on this subject, and I will tell you. It will not! England will spend a few hundred millions, and America and the Continent will monopolise the trade!

It is obviously proper and just that, after having conquered a country, we should be able to enact such laws and tariffs as we deem right and remunerative. But is there any likelihood of this being done? And if not, why not?

Is ours a real or a sham Empire?

We shall know the true answer to this question when we set about the introduction of Imperial Commercial Federation.

But it may then be too late.

We must seek to get at the true state of affairs now. The public must be taught that an Empire, like a business, cannot be carried on unless it pays at least its own expenses. But who of all our statesmen has the acumen or the courage to tell people the truth?

We naturally turn towards our Secretary for the Colonies. Mr. Chamberlain was some 20 years

ago himself engaged in large industrial enterprises, and it is impossible that he should imagine that the position of the English manufacturer is the same to-day as it was then. It is entirely changed. In those days the effects of Free Trade were harmless ; as harmless as dynamite shells without their fuses. Since then, Free Traders have themselves taught the enemy how to prepare and apply the fuzes. At that period our manufacturers and traders reaped material benefit from the relations which then existed between the Mother Country and our vast over-sea Empire. But to-day the case is reversed. Our present Colonial policy is actually doing grievous harm to our industrial classes, because foreign manufacturers are gradually annexing the trade with our possessions, paying nothing for the privilege, and being, in addition, subsidized and supported in every way, by their own Governments. Our rivals thus are not handicapped as are we, and if the present system remain unchecked, they will win all the races over our own courses.

Mr. Chamberlain must be aware that this is the true, the all-pervading cause of our seeming backwardness. Our own and our Colonial markets are being handed over to foreign merchants, and form one of the most powerful weapons with which to beat us. Until that one evil is remedied it is useless to attempt to apply any other palliatives.

It requires no special faculty of discernment of the "eternal fitness of things" in order to perceive the utter incongruity of spending blood and treasure to gain markets for our manufacturers when it is obvious that others must reap the benefits, unless the Empire be federated not only in sentiment, but also in commerce.

CHAPTER XI

INACTION AND ITS CONSEQUENCES

“Free Trade leaves the powers of Nature and of man to produce whatever is in them to produce, unchecked by human restrictions.”—*Lord Farrer in 1884.*

“Our political life, like our ordinary social and physical life, is exposed to various incidents of change that we have no power to banish. We are liable to difficulties and dangers which nothing we can do can prevent. . . . The tide has turned, and who are we that we should attempt to stem the tide? If the tide has turned we shall have to go with it. . . . We feel that we are in the presence of forces far larger than any we can wield or influence.”—*Lord Salisbury on “Our National Expenditure.” House of Lords, 23rd July 1901.*

Few people will be able to discern any connection between the two above quoted enunciations. In the first we are encouraged by the free trading economist to believe that everything is possible to a simple trust in the unrestricted

powers of Nature and man. In the second we are warned by our Prime Minister that we are beset by difficulties and dangers which nothing we can do, even supported as we are by the immense resources of the British Empire, can allay. And fewer people still will be prepared to accept my contention that there is a close connection between our system of Free Trade and the political position of our Empire. Yet this is my conviction, and, going further than this, I assert that the policy of "unrestriction," which is vaunted as one of the most important manifestations of Free Trade, is at the bottom of those "incidents of change" to which our fatalistic Prime Minister draws attention. I will endeavour to prove that the changes which have taken place in our social, physical, and political existence during recent years have been due to the reaction of our Free Trade policy upon the methods adopted by our politicians in transacting our public business.

But little reflection must demonstrate that the influence of our commercial and industrial policy cannot rest solely with those pursuits and occupations with which it is directly connected. It extends over the whole range of our existence: our politics, our health, our virtues, our vices, and our minds!

If we compare the period prior to 1870, when the effects of the abolishment of our Customs

Duties were not yet felt, with the present time, we shall find striking contrasts, alike in the attitude of the Government and in the position of the individual—lord and peasant, rich and poor. Would former Prime Ministers, say, Lord Melbourne, Lord John Russell, or Lord Palmerston, have ever dreamed of telling the nation that dangers threaten us which we cannot avert?

I do not suggest that Lord Salisbury is a man of less intellect—but he is the victim of that policy of the present age which seems to paralyse the energies of our public men. He sees difficulties and dangers ahead which he thinks he cannot prevent. He is afraid of them because he can only dimly realise their existence without understanding their real origin. His conduct is on a par with that of the child who is frightened of the dark. Dangers which are not fully recognised are even more terrifying than those of which the real peril is intelligently grasped.

If Lord Salisbury could understand the present situation of Great Britain he would find out that our political weakness is the natural outcome of the feebleness of our commercial position. The backbone of an empire must always be the wealth obtained by commercial enterprise.

Our political supremacy is dependent on our commercial supremacy. Unfortunately, our present rulers have made it a practice to shelve all matters

connected, even remotely, with our industrial interests. It is of course suicidal, but it is in accordance with the teachings of Free Trade, and on that ground it is persistently persevered in. Among the dogmas, which pass in the minds of our rulers for truth, there are none which hold them more firmly than that precious Free Trade principle, which lays it down that trade must be left unrestricted, and that individuals know better than Governments what they should buy and sell. Our governing classes, never fond of trade or traders, are as a matter of course only too pleased to act in accordance with such comfortable doctrines.

Free Trade is the Policy of Inaction.

The evolution of Free Trade was not the outcome of any great popular need based on experience or necessity. Nor was it the result of some revolutionary event likely to change the course of history. It was born in the brains of a few amateur economists who were either men of thought and no experience, or men of experience and no thought! From the very outset the policy of these would-be benefactors of mankind was prompted by the spirit of Negation. Instead of approaching the subject, involving as it did a

nation's means of existence, in the spirit of experiment, which would have been fitting ; they attacked it with the fervour of fanatics and the bigotry of partisans, and refused to admit the truth of the time-honoured maxim that there are two sides to every question. Indeed these avowed workers in the cause of freedom, like most men whose judgment becomes clouded by their self-conceit, went utterly wrong, and misinterpreted alike the sense and the spirit of that freedom which they professed to love. In their view, restrictions or control were opposed to the dictates of freedom. They never paused to inquire whether such restrictions were necessary to counteract influences over which they could not have any control. Nor did they endeavour to provide other safeguards or enactments. Such vital points as the efflux of time, and alterations rendered necessary by the march of progress, were never admitted by these self-constituted dictators of England's destiny. Casual occurrences of a purely temporary character were hailed as constantly recurring factors and proclaimed chronic evils, and, from the fortuitous and haphazard results thus obtained, reasons and theories were evolved which were guaranteed to hold good for all time ! While only succeeding in keeping within their purview the land immediately under their noses, these experimenters imagined that their

control extended over the whole of the world. The outcome might easily have been foreseen. They remained entirely ignorant of the strength of other nations, and failed to realise their activity. They tried to win the game without considering the cards in their opponents' hands. They were experts in the practice of Negative Obstinacy. They delighted in pulling down, but were utterly incapable of building up aught to replace that which they had destroyed !

A Policy of Iconoclasm.

By the light of the events of the past half century, one finds it easy to divine the *modus operandi* under which the Free Trade councils deliberated over the words of wisdom they from time to time bestowed upon an appreciative world.

They said, "We have a Government which looks after trade at home and restricts foreign interference. We must do away with such an active Government, and put in its place one which will do nothing at all. We have custom houses. Let us do away with them ! We have walls and locks and keys, they obstruct our movements. Away with them ! Away with all restrictions, enactments, and regulations. We will wipe them out and replace them with—nothing. Nothing but a simple trust in Nature and in man !"

Lord Farrer, with that pride and pomp born of conceited ignorance, places the negation of Free Trade very neatly.

“Free Trade can beget no possible qualities in man; it leaves the powers of Nature and of man to produce whatever is in them to produce, unchecked by human restrictions.”

This Free Trade apostle boasts that his creed can produce no qualities in man, no energy, no skill, no enterprise! It entails a want of exercise of all the good qualities which are latent in man. What does Lord Farrer mean by “leaving the powers of Nature unchecked”? To do this, assuming for the sake of argument it were feasible, would entail but decay and death. Does not the Bible say, “In the sweat of thy face shalt thou eat bread.” Will Nature produce anything by itself without the contributory work of man? And worse than this, our oracle speaks also of leaving the power of man unchecked by human restrictions! It is inconceivable how men, contemporaries of the great philosopher who taught us the principle of the survival of the fittest, could have promulgated the dogma that a man can live without restricting the doings or restraining the greed of his neighbour. And to make matters worse, this theory has been applied, not only to man, but to whole nations of men, and we see the spectacle of one nation permitting the workers of all other nations to produce

unchecked by any restrictions. The law of the "survival of the fittest" will react here as surely as it ever acted, and the weak in the land will be eaten up by the strong—the unarmed will be killed by the armed!

Can history show a worse example of human folly—of the aberration of a whole nation! Free Traders tell us to do nothing. Better tell us to fight a lost cause. Nay, even to fight a wrong one!

The most remarkable fact in connection with this question is that England remains to-day wedded to the delusions I have described, while all other nations are joyfully watching her, fearing only that one day she may perchance awake. The policy of doing nothing has taken a firm hold on England. It has already endured for half a century, during which the Government and the people have been guided in their dealings with other nations by the policy detailed. But worst of all, this method of neglecting our interests, originally introduced with regard to our Commerce and Industries, has spread in various directions, until it has come to have a serious influence over the conduct both of the nation collectively and the population individually.

There is an impression in this country that inaction or idleness is an innocent proceeding. The actual fact of the matter is, of course, quite different, and the consequences of idleness are

really more far-reaching than those of action. The reason of this should be obvious to the meanest understanding. The whole of the world's community is working ardently and constantly with selfish ends. Life is passed in regulating or opposing those forces which constantly attack us. A life of inaction can have but one result—certain defeat.

I will now briefly consider how these methods, inaugurated by our Free Trade, affect the Government and the People ; the former representing the political activity of the country, and the latter its social existence.

Our Government.

One of the miracles performed under the ægis of Free Trade was the conversion of Sir Robert Peel. An ardent defender of our agricultural industries, he suddenly turned round and became a convert to Free Trade.

Mr. Gladstone was a member of Sir Robert Peel's Cabinet, and, ever since, our Government has been Gladstonian. He ruled in power, and out of power ; as Minister, or in Opposition, and, even after his death, his ghost seems to haunt the councils of his successors.

The period from 1850 till the present day should be called, not the Free Trade, but the

Gladstonian, era, which would better express its unique position in the history of the British people. I am convinced that if England had been vouchsafed no Gladstone we should to-day have had no Free Trade. It would be impossible to do justice to the subject under review if one were to omit a reference to the character and doings of Mr. Gladstone. Their consequences will be felt for many years to come, and to meet them we ought to be forewarned. I can but regret if in doing so I am impelled to attack the memory of one of whom many thousands still think with reverence.

Men of action are mostly men of few words. Gladstone's reign had the appearance of progress, bustle, and energy—energy in words.

But his policy was inaction. His weapons were dispute; his work, destruction; and the result of his efforts, strife and decay! He inaugurated this policy with Free Trade; he abolished all duties; he provided nothing to replace them. A Free Trade chronicler speaks admiringly as follows:—

“On the 18th April 1853, Mr. Gladstone, as Chancellor of the Exchequer, made his financial statement in an able and luminous speech. . . . Although the address occupied five hours in delivery, and although it bristled with figures and statistics, he never for a moment fatigued the mind of his hearers. His financial scheme

included, among other reforms, the total remission of imposts on 133 articles."

Is this not the record of Mr. Gladstone's history ever since that 18th of April 1853? Speeches of five hours' duration or more, and reform, which meant doing away with something that existed. We are now witnessing the outcome of his influence in South Africa, in Egypt, and in Ireland. He let the Irish—he let everybody—do what they pleased, without any restriction on the part of those whom the community had selected for protection—the Government. He was ever ready with high-sounding phrases and sophistries. He called it "Freedom"—to end in slavery; he called it "Humanity"—to end in expeditions; "Magnanimity"—to end in war!

The only occasions on which Gladstone was tempted to take action were, either when he strove to undo something, or when he sought to make good something which had turned out badly by reason of his own inaction.

The most inexplicable fact connected with this man, who virtually ruled the Empire for half a century without leaving a single lasting work behind him, is, that even his political opponents adopted his destructive policy in matters of National Finance, and are still following it to-day!

The People.

The policy of inaction influences the people both directly and indirectly. Directly, as every voter is a part of the Government, and is influenced just as are the members of the Legislature. Indirectly he is affected in many ways.

Fifty years ago the average Englishman was proud of the might, the power, and the achievements of his country. Proud of its great men, proud of its scientific attainments, its progress, and industry, and commerce. Everything around him bore witness to this greatness.

What surrounds the Englishman to-day?

Nothing but foreign things. Foreigners feed us, clothe us, amuse us, convey us round the world, and generally do for us those things which, but a few years ago, we customarily did for ourselves and for them. It must afford much food for reflection to outsiders to note how all this is borne in England at the present day without much seeming protestation or uneasiness. Nay, it often evokes the expression of congratulation, mainly in the belief that we are getting everything cheaper than other people. I am sure this belief, as I have shown elsewhere, is quite erroneous, but even if it were founded on fact it would be no adequate reason for this short-sighted want of patriotic feeling.

Compare the bringing up of a boy born, say, in 1840, and one born in 1890. As a baby the present boy is fed on Swiss milk. He eats bread made of American flour, and meat brought from the Antipodes. His frocks are, probably, of material made in France and embroidered with Swiss lace. In his nursery he plays with German toys, and his picture books are printed in Bavaria. At school he writes with German pencils and sits on American furniture. He learns music on a foreign piano, and his notes are printed out of this country. When he grows up he sees on every side evidences of foreign industry and foreign progress superseding all that is English in every branch of manufacture.

Is this the way to foster the pride or the patriotism of the English boy? What a contrast is his experience to that of the boy of 50 years ago!

But successive Governments come and go, and each contents itself with a repetition of the inaction which formed the most marked feature in the policy of its predecessor. When it is absolutely necessary that some pressing need should be supplied, it is expected that, as a matter of course, the work will be undertaken by an individual or a number of individuals acting as a committee.

In this way we give charters, conferring vast powers on companies, without supervision or safeguards. The Lord Mayor opens Mansion House

funds ; our poor are dependent on private benevolence, hospitals and Universities on voluntary contributions, scientific research and encouragement of Art on nobody.

Such a condition of things affords evidence of simple abdication of Government by our responsible rulers. It is not necessary for me to dwell on any other signs, there are many and they have been pointed out lately by men of earnest thought who assigned various causes to their existence.

I am of opinion that the fundamental cause lies in this fact :

Our Government—Ministers, Parliament, and permanent officials have been taught and readily accepted the doctrines of Cobden, Bright, and Gladstone, according to which our most vital institutions—Industry, Agriculture, and Commerce, should be left to the efforts of the individual. They believe that they require, on the part of the State, no care, guidance, support, or protection !

These simple but contagious doctrines, having achieved in the eyes of short-sighted men a certain amount of success, were then adopted in the execution of almost all the functions of the State, and have largely influenced our political and social life.

This is what Free Trade has done for us !

CHAPTER XII

PROTECTION

“Great economic and social forces flow with a tidal sweep over communities that are only half-conscious of that which is befalling them. Wise statesmen are those who foresee what time is thus bringing, and endeavour to shape institutions and to mould men’s thought and purpose in accordance with the change that is silently surrounding them.” — *John Morley (Life of Richard Cobden)*.

“It was Protection that for a time enabled the English to play the leading rôle in the commercial life of the world.” — *American writer*.

The results of Free Trade, that compels inaction amidst the ever active forces of the world, must be destruction or decay. It is just the reverse with Protection. Its mission is Creation.

I do not claim that Protection will in itself remove the disadvantages which Free Trade has brought about, but I affirm that Protection will provide Englishmen with the means of removing them.

In order to summarise what Protection can accomplish, in a few words, I need only refer to the main points dealt with in the preceding chapters.

I affirm, that Protection—

1. Will offer conditions to the producer which will enable him to cheapen his productions.
2. Will promote enterprise and evoke energy.
3. Will reduce the risks of manufacturing.
4. Will encourage new industries and inventions.
5. Will offer the incentive of reward, essential to successful education.
6. Will preserve the capital of the nation and increase the productive power of its assets.
7. Will remove the obstacles between producer and consumer, and bring the field and the factory closer together.
8. Will prevent waste.
9. Will be a sure means of cementing together the distant parts of the Empire.
10. Will make us less dependent on the foreign producer.

This list could be easily lengthened by additional results, all of them advantageous. I have been very carefully into the question, but have only been able to discover a single possible effect of Protection which is not likely to prove beneficial, and this is the possible creation of International Complications.

Of course, Free Traders will bring forward many supposed disadvantages. They will urge that the incentive to improvement due to foreign competition will be lost; they will maintain that the encouragement of the creation of wealth by one class of the community will be at the expense of the others; and they will repeat all those complaints which I have dealt with in the foregoing pages—complaints which, I trust, I have shown up in their true bearing.

Immediate Gain.

The present is, without doubt, the psychological moment for introducing Protection in England. It would have an immediate and beneficial effect. We may, indeed, await the change with confidence that it would bring us direct and palpable gains, which we can almost estimate in L.S.D.

In thus forecasting I am not referring to the certain appreciation of assets—such as the value of

farming land, which alone will increase in value to the extent of several hundred million sterling—but to the more direct gains which must include an enormous saving by retaining in our pockets what we should otherwise lose.

Our imports of food, material, and manufactures now exceed the formidable sum of £500,000,000 annually, almost the amount of our National Debt. I estimate that after a few years of judicious protection such importation will be reduced by about one-third of the present figure.

The actual net gain will be composed of—profits saved, which we now pay to the foreign producer ; profits saved, which now go to pay the middleman for bringing over the foreign produce ; lessening of waste, loss of time, and cost of unprofitable employment ; gain on the cultivation of land which is at present unproductive, &c.

I compute these savings at about £100,000,000 per annum ; but assuming that they reach but half this sum, we may safely reckon that we would be the richer by

£52,000,000 per annum ;

1,000,000 per week ;

143,000 per day ;

6,000 per hour ;

100 per minute.

We thus show that Protection would bring us an immediate gain and, to put it conversely, the delay

is costing the nation £100 *every minute* we live, by day or by night, asleep or waking.

A costly delay, truly, which prompts us to ask the question :—

When shall we have Protection ?

The answer depends on whether Free Trade is allowed to die a natural death or whether its dying agonies will be ended by the awakening of the nation.

The date of the demise of Free Trade, if it be due to what I term natural death, will depend on the attitude of the foreigner. England has long ceased to be a free agent in matters of commerce. During the whole of the existence of Free Trade it is the foreign producers who have called the tune. Assuming that Free Trade maintains its tactics in the immediate future, as it has done in the recent past—tactics consisting in the main of doing nothing and letting the foreigner do everything—then I give it, at the very outside, a life of another 10 years.

The other contingency rests with the people. If the cry of the manufacturer, the workman, and the citizens of Great Britain is but heard by the great majority, then surely will the country awake and put an end to the perilous situation.

I have reason to believe that this second contingency will come about, and soon. Those who have taken some trouble, as I have done, to probe the feelings of the public on this great question,

know that a marked change has come over the opinions of most men during the past few years.

If you say to a man, "Free Trade is doomed," he stares at you and says, "I thought that was a subject that we are forbidden to discuss." You dissent from this doctrine, and explain to him one or two points. A few days afterwards he returns to tell you he is a converted protectionist.

It is only, as a matter of fact, the match that is wanting. Given that the explosion may come at any time.

Suppose a serious agitation were to begin soon, I believe the hands of the Government could be forced within twelve months, and we should have a general election purely on the question of Protection or Free Trade. In such a case we might have Protection established within three years.

To attain this would be a splendid achievement, for in the saving of seven or eight years out of the ten which I allot as the period necessary for Free Trade to die a natural death, the nation would benefit to the extent of about *five hundred million pounds sterling*.

By agitation end it.

The British taxpayer has, during the last year or two, been constantly admonished in newspaper

articles and various publications to agitate for those changes which are proclaimed by thinkers to be necessary for the salvation of the country. We are to provide new ministers and new permanent officials who are not to be "indolent." It is the duty of everyone to promote the efficiency of the Army, to clamour for an increase in the Navy, and to demand that his parliamentary representative shall vote for the reform of our educational system !

The bewildered taxpayer, realising his impotence, does nothing, but votes, as before, for one of the two candidates which the party organisations kindly put up for him to choose from.

I hereby ask the said taxpayer to agitate for Protection ! Will the fate of my endeavours be the same as that of the hopes of other would-be reformers ? I say no, decidedly no ! Because my case is entirely different, and the cause of their failure will be the reason of my success.

I told a friend, a prominent member of the Navy League, of my intention of writing this book. "Excellent idea," he said, "but you will accomplish nothing. Look at the Navy League. See what it does. Papers, pamphlets, and books written by experts have been distributed broadcast ; lectures have been given throughout the length and breadth of the Empire ; able speakers and specialists have addressed hundreds of meetings ;

and what has been accomplished? But very little."

Now I maintain that the difference between reforming our Navy and reforming our commercial system is this. The former requires money but no arguments. The latter requires arguments but no money.

Which can be more easily obtained? The money or the argument?

In the case of the Navy the taxpayer is asked to tell his rulers to spend more of his money. In the case of Protection he is told that he will not have to spend, but will gain money!

I say it confidently to all my readers—manufacturers or workmen, landlords or labourers, traders or professional men—Protection must make you all the richer, or less poor. With confidence, therefore, I appeal to you to work, each one according to his station and ability, to end once and for all this suicidal system of Free Trade. You may all be sure that we shall succeed, and confidence in success makes success all the more assured.

Protection and Revenue.

Who pays customs duties? Who receives them? Duties are paid either by the foreign producer or by the British importer. In either case our

Government receives them, and therefore they can never constitute an actual loss to the nation as a unit.

Professors of political economy will demonstrate that duties can be paid only by the consumer, because it is he who pays increased prices. Libraries of books have been written on this topic, but these deal only with theories, and an ounce of practice is worth a ton of theory.

Let us take a case. A is a foreign producer selling the same goods at the same time to B, who lives in England, and to C, who lives in a protected country—say Germany. The question to be solved is simply this: Does A sell to B and C at the same price or at different prices?

Experience shows that A often sells at different prices.

Let us compare the prices of wheat during a period of 50 years, from 1850 to 1900, at Liverpool and at Berlin. The figures are easily available, and when contrasted they show that when A has a bad harvest and little surplus he will sell to B and C at the same price. When, however, A's harvest is abundant, he will sell cheaper to C (the protected man) than to B who is under Free Trade.

To instance another case. A manufacturer in Berlin, who finds that he has overproduced and has a surplus of stock, will offer his wares cheaper at Madrid than in London. The reason for this

anomaly is not far to seek. It originates in the fact that the Free Trade market is available anyhow for foreign overproduction, while a protected market can in such cases be obtained only by sacrifices. To put this in more popular form I will paraphrase this principle. If you want to buy a horse you will have to pay a higher price than if the seller is anxious to sell you the same horse when you do not wish to buy it.

This is of course utterly absurd in theory. But in practice it happens every day. And the lesson it teaches is instructive inasmuch as it shows that the Free Trader must in any case be the loser, because he can never buy cheaper than the protectionist in a neutral market, and under certain conditions he must buy dearer. It further shows that *the foreign producer will, under certain circumstances, pay the custom duties*. Such cases are by no means infrequent, and demonstrate that if we impose duties the foreigner will pay a good portion of them.

Revenue.

Our present system of collecting the taxes required by our Government is simply barbarous. It is alike unscientific and economically wrong.

I have nothing to say against duties on intoxicants and tobacco, but the duties on tea, coffee,

cocoa, &c. are impolitic. They protect no home industry, increase the prices of necessities, and re-act prejudicially on our own Colonies. The stamp duties are often vexatious and handicap business transactions. The estate duty is an economical blunder. Income tax is, I admit, theoretically, the most defensible of all direct taxation, but in practice it is often vexatious and unjust.

John Stuart Mill says, "The income tax, on whatever principles of equality it may be imposed, is in practice unequal in one of the worst ways, falling heaviest on the most conscientious."

The principle of our present day system of taxation is in the main due to the exigencies of Free Trade. We need have no compunction in ending this system, and in substituting as far as possible one which has proved itself satisfactory and has been adopted by every civilised state as a correct and judicious method of collecting taxes.

The ever increasing needs of our budget cannot possibly continue to be obtained as at present, and this alone must force the Government to levy duties on imports. I hope that they will not begin apologetically by explaining that the object of taxing certain articles was only for the sake of the revenue which would be obtained. Let the duties be collected openly and avowedly for combined purposes of income and the protection of

home industries. Let us on no account adopt a compromise. We want no "Revenue duties" or "Fair trade."

The principle of Protection is to foster industries which are capable of supplying the home demand, and to levy duties judiciously lower in extent on articles which cannot be made at home in sufficient quantities, while raw material and necessaries not capable of home production should be on the Free List.

No Risks.

If Sir Robert Peel or Mr. Gladstone had possessed the remotest notion of the risks to which they were exposing their country, they would I feel sure have cut off their right hands rather than sign those enactments for the abolition of the customs duties. The outcome of this policy has been to throw the country open to the inroads of other nations. We must, if only to follow out the instinct of self-preservation, re-enact the abandoned duties, and then the risks and dangers will be apparent in every direction.

Protectionists need not consider these risks. Free Trade is inflexible. When once its principles are accepted there is no possibility of altering its enactments, or adapting it to the varying requirements of our trade. Protection, on the other hand,

is flexible, adaptable to the passing needs of the hour, and can alter, improve or change at any time.

The conditions of international trade are constantly changing. Think of the vast alteration of circumstances wrought by the competition of American agriculture in the markets of the old world. Think of the altered conditions of transportation. Consider the effects of the advent of sources of energy, such as gas and electricity, and the thousand other inventions which have quickened the pace of civilisation, and brought about vastly altered conditions between man and man, and nation and nation.

Then compare the actions of Governments—the majority working under Protection, while ours struggles along under Free Trade! The former altering their rates every few years, increasing or lowering them, so as to meet the needs of their subjects and keep abreast of the changes of the times. Our own Government does nothing, absolutely nothing, and allows the constant changes made by our rivals to pass unnoticed before their eyes without lifting even a finger.

These indolent tactics are, as usual, regarded by Free Traders as additional evidence of the superiority of their creed. “Look at the stupid Protectionists,” they cry, “they are always chopping and changing.”

When our Free Traders do chance to realise what our rivals are doing, they invariably put it down to the wrong cause. In a memorable last speech, President McKinley announced that the commercial isolation of the United States is no longer either possible or desirable. Whereupon our Free Traders at once profess to see a sign of the ultimate triumph of the Free Trade principle, while others try to derive some comfort from the unaccountable conversion of "the uncompromising champion of the Protectionist system."^{*} Our leading journal asserts that there is amongst us "a new school of economical thinkers who maintain that Free Trade is not to be regarded as an end in itself, but is to be carried out with regard to considerations of practical expediency."

Idle words of idle thinkers. Free Trade is utterly incapable of carrying out anything! It is unfitted to adapt itself to any expediency, because it is a negative quantity, and "nothing" cannot alter.

The action of America only affords additional evidence to the way in which Protection harbours potential benefits under all circumstances, whether the duties are increased or decreased, or even abandoned. The ultra Protectionist, held to be the most selfish man in creation, has benefits to offer to

^{*} *The Times*, 7th September, 1901.

his neighbours, and by reducing duties, claims and obtains friendship from other nations. The ultra Free Trader, who has unselfishly conferred benefits on others for years, should he desire to alter his methods, creates the only thing he can create—enemies.

Extra Cost of Collection.

Even Free Trade must have custom houses. Even under Free Trade are we compelled to waste our time and endure much discomfort, while having our boxes examined on our return from a continental holiday. The farce is kept up at an enormous cost to the Government, and hundreds of weary passengers are detained in draughty sheds while a score of officials busy themselves in the hopes of discovering a pound of tobacco, or bottle of *eau de Cologne*!

The present system of customs examination is a most wasteful one. Thousands of cases are opened without finding anything dutiable. Protection will not require any great additional cost in the collection of duties.

Historical Continuity.

Our constitution, like our laws and our customs, is based upon historical continuity. We are rightly

proud of our institutions, and there is much sense in reminding the people of our glorious past. In the making of laws Parliament prefers to adhere as closely as possible to precedent. Even our reform laws were introduced gradually and with the greatest caution. Free Trade is the one exception in our history. It was hastily adopted without regard to the experience of centuries; not deliberately, but suddenly, through the fervour of a few men aided by certain untoward circumstances which were of a purely temporary character.

Let us not forget that the policy of every English Sovereign, since the beginning of our history, has been to protect agriculture and industry in England.

In reverting to Protection we simply record that the policy of the last half century has been a mistake, and that we return to that historical continuity which is the basis of all our institutions.

The Nation's Self-Deception.

I have written this book with an object: that of securing for my industrial enterprises the protection which I deem imperative for their continuance and for their success.

I can only express a hope that my object may be attained, but, however that may be, I

more than hope—I expect—that the appearance of this book will mark the period when the system of self-deception practised at present will disappear.

Should any causes which I cannot foresee tend to prolong the existence of our policy of Free Trade, do not let us deceive ourselves as to its nature and its future results.

Do not let our press and public men tell the people that Free Trade is good for us, but let us plainly and openly admit the fact that it is the greatest danger and misfortune England has ever had to face, and that if we cannot alter it, we must bear it as we should any unavoidable national misfortune—war, famine or pestilence.

And, above all, let us not deceive ourselves as to the efficacy of any REMEDIES which it may be proposed to apply to the evils which a decline of industries must needs produce.

Let us not vainly and unreasonably call upon our manufacturers to remedy their ways.

Let us not accuse our workmen and their unions of omissions and commissions, which nothing but our economic system forces upon them.

Let us not imagine that if Mr. Chamberlain opens a new university at Birmingham, or if Sir Albert Rollit establishes a commercial school in the city, or if we spend millions on technical education, that these efforts will attain the sanguine expectations of the men who try to govern us.

Let us not deceive ourselves into the belief that by planting the Union Jack in new territories, or by trying to prevent other nations from annexing lands which do not belong to us, we are thereby assisting our own industries or commerce.

Let us give up thinking that by worrying our Foreign Office, or our ambassadors or consuls, they can restore to us those markets which we are losing daily.

Especially cease committing that most foolish of all blunders, which prompts us to believe that openly confessing to ourselves the true state of affairs belittles us in the eyes of our foreign customers and rivals. These are thoroughly well informed on all English affairs that can be of the least value or interest to them.

Such attempted deceptions are worse than dangerous, inasmuch as, while awaiting impossible results, much valuable time is lost, and we are prevented from applying the one and only remedy, without which all others are useless, which is

PROTECTION FOR OUR INDUSTRIES.

I N D E X

- ACCEPTED Free Trade Theories.
See Theories.
- Actions at law for infringement of patents, 44.
- Advantages and disadvantages of Free Trade at different periods, 1.
- Advantages offered by Protection, 234.
- Adverse Trade Balances, 1856-1900, 101.
- Agriculture, Chap. VIII., 193.
- Annexation on the cheap proving costly, 208.
- Apprenticeship, author's system of free, 173.
- Arguments in defence of Free Trade, 116.
- Australia, feeling in, 211.
- Authors cited :
See Farrer, Lord.
 „ Fawcett, Prof. H.
 „ Lecky, Rt. Hon. W. E. H.
 „ Mongredien, A.
 „ Morley, John.
 „ Smith, Adam.
- Author's reply to Lord Farrer, 93.
- Author's system of Free Apprenticeship, 173.
- Avebury, Lord (formerly Sir John Lubbock), on Trade, 145.
- BALANCE of Trade between England and the United States, 79.
- Balance Sheet, the National, 101.
- Banking, Our, 145.
- “Be enterprising,” 15.
- Bell, Alexander, Graham, inventor of the Telephone, 29.
- Bread, cheap, 117.
- Bright, John, letter to an American Manufacturer, 164.
- British Flag followed by Foreign Trade, 210.
- British Trade follows the Flag, 206.
- British Traders as clever and diligent as those of other nations, 173.
- Burns, John, M.P., on foreign competition, 170.
- “Butchers and the Tailor,” story of the, 104.
- CALLOUSNESS of Free Traders, 56.
- Capital, are we living on our, 70.
- Capital, period of diminution of, 71.

- Catchwords, 118.
 Challenge, a, 25.
 Chamberlain, Rt. Hon. Joseph, cited, 214, 215, 247.
 Chamberlain, Rt. Hon., his patent law, 40.
 "Cheap Bread for the working man," 120.
 Cheapness, 166.
 Cheapness, the haphazard idea of, 166.
 Cheapness, real or imaginary, 121.
 Cobden, Richard, attacked in the *Morning Post*, 177.
 Cobden, Richard, life by John Morley cited, 164.
 Cobden, Richard, his story of the Tailor and the provision dealer, 103.
 Cobden, Richard, denounces Trade Unions, 164.
 Cobden, Richard, the accepted instigator of Free Trade, 5.
 Colonial Markets, our being handed over to foreign merchants, 215.
 Colonisation, Policy of, 208.
 Commercial Federation, Imperial, Chap. X., 206.
 Communities affected by Free Trade, 3.
 Companies, our limited liability, 111.
 Competition, 126.
 Competition, necessity for, 129.
 "Compulsory licence clause," 40.
 Confederation, Imperial Commercial, Chap. X., 206.
 Confusion, 163.
 Consumer, The, Chap. V., 115.
 Cost of Manufacture, determining factors, 8.
 Cranborne, Lord, cited, 17.
 Cromer, Lord, 213.
 Cry for education, the, 63.
 Curzon, Lord, 213.
 DEAD man's tax, the, 109.
 Declining Industries, direct loss in, 57.
 Defence of Free Trade, 117.
 Diagram showing periods of Free Trade, 1.
 Direct loss in declining industries, 57.
 Disadvantages and advantages of Free Trade at different periods, 1.
 Downfall of Free Trade by its own disease, 70.
 Duration of Free Trade prophesied, 2.
 EARLY electrical inventions mainly English, 38.
 Early Trade History, 33.
 Economic struggle between Nations, the, 175.
 Edison, Thomas Alva, 29.
 Education, 62.
 Education, the cry for, 66.
 Eggs, importation of foreign, 159.
 Egypt, our position in, 213.
 Egyptian fellah, the, 18.
 Electrical Engineering Industry, 63.
 Engineers' strike of 1898, 169.
 England left far behind in the race for brains, 31.
 England one of the most protectionist countries, 34.
 England the dumping ground of the world, 127.
 England the only manufacturing nation, 52.

- Englishmen as clever as foreigners, 61.
- Enterprise impossible under Free Trade, 14, 15.
- Estate duty, a tax on capital, 109.
- Excess of Imports over Exports, 101, 102.
- Exports and Imports, table of, 1856-1900, 85, 86.
- Exports, our invisible, 100.
- FACTORS in cost of production, 8.
- Facts known to the public, 131.
- Fall of the Middleman, the, 161.
- Farrer, Lord, cited, 4, 217, 223.
- Farrer, Lord, arguments and calculations by, 88, 89, 90, 91, 92, 93.
- Farrer, Lord, author's reply to, 93.
- Fawcett, Prof. Henry, cited, 115.
- Federation, Imperial Commercial, Chap. X., 206.
- "Fellah and the Pasha," parable of the, 18.
- First period of Free Trade, 1846-1875, 1.
- Foreign competition caused Engineers' strike to collapse, 169.
- Foreign competition, 167.
- Foreign eggs, importation of, 159.
- Foreign Industrial Loans, 96.
- Foreign inventor, the, bribed to stop away, 35.
- Foreign Loans, 96.
- Foreign Manufacturers enriched by the British Government, 47.
- Foreign railway securities, 98.
- Foreign Trade follows the British flag, 210.
- Free apprenticeship, the author's system of, 173.
- Free Trade, Advantages and Disadvantages of, at different periods, 1.
- Free Trade, arch producer of Waste, the, 129.
- Free Trade, Communities affected by, 2.
- Free Trade deadens our industries, 27.
- Free Trade, duration of, prophecy respecting, 2.
- Free Trade kills Enterprise, 15.
- Free Trade, Policy of Iconoclasm, a, 222.
- Free Trade, Policy of Inaction, a, 220.
- Free Trade renders Enterprise impossible, 16.
- Free Trade sacrifices the Manufacturer to the interests of the Middleman, 141.
- Free Trade *versus* Fair Trade, by Lord Farrer, cited, 88.
- Free Traders, callousness of, 56.
- Free Trade Theories :
 Cheapness for the Consumer, 120.
 Every man makes that thing which he can make best and cheapest, 4, 51.
 Imports must be paid for by Exports, 4.
 Look after the Imports and the Exports will look after themselves, 69.
 Trade follows the Flag, 206.
 In a Free Trade country manufactured articles can be produced cheaper than in a protected country, 4.
- GEOGRAPHICAL position, our, 150.
- Gladstone, Rt. Hon. W. E., cited, 52, 83, 226.
- Gladstone, Rt. Hon. W. E., his policy of inaction, 227.

- Gladstone, Rt. Hon. W. E., his destructive faculty, 226.
- Gladstonian Era, the, 226.
- Government Loans, 94.
- Government, Our, 225.
- Governmental powers to purchase the Railways, 182.
- Great Britain strictly protectionist before 1846, 71.
- Great Britain under protection, 71.
- HANBURY, Mr., introduces Telegraph Act, 1899, 47.
- Hanbury, Mr., on Telephone industry, 47, 49.
- Harcourt, Sir William, 88.
- Healthy and Clean Surroundings, 181.
- Hicks-Beach, Rt. Hon. Sir Michael Edward, cited, 88.
- Historical continuity, 245.
- Historical, 1.
- History, Early, 33.
- History of Free Trade in England, 71.
- How commodities are made dearer by Free Trade, 124.
- How the wind blows, 202.
- How the Government enriches the foreign manufacturer, 47.
- IMMEDIATE Gain, 233.
- Imperial Commercial Federation, Chap. X., 206.
- Imports "are as valuable as Exports," 69.
- Imports, excess of, over Exports, 101, 102.
- Imports must be paid for by Exports, 4.
- Inaction and its consequences, Chap. XI., 217.
- Income Tax, our, 107.
- Income Tax paid on capital, 108.
- Industrial Loans, 96.
- Inventions almost exclusively started in foreign countries, 32.
- Inventor of the Telephone, 42.
- Invisible Exports, are we extending our, 100.
- LABOUR Unions, misunderstanding, 184.
- Labour Unions, author's attitude towards, 187.
- Labour Unions, denounced by Cobden, 164.
- Labour Unions fail against Free Trade, 186.
- Landed proprietor on Free Trade, 194.
- Landlord and his villagers, parable of the, 138.
- Landlords, 195.
- Lecky, Rt. Hon. W. E. H., cited, 134.
- Legislation over patents, 44.
- Licence clause, compulsory, 40.
- Limited Liability Companies, Our, 111.
- Loans, foreign, 94.
- Loans, industrial, 96.
- "Look after the Imports, and the Exports will look after themselves," 69.
- MCKINLEY, William, cited, 244.
- Manufacture, cost of, determining factors, 8.
- Manufacture of watches, 10, 11, 12.

- Manufacturer, a, in a protected country can manufacture cheaper than in a Free Trade Country, 6.
- Manufacturer, a, with two markets open to him can make larger quantities than with only one, 14.
- Manufacturer, a, who cannot make a given article as well as another will make some other article which he is better fitted to make, 51.
- Manufacturer, The, Chap. II., 3, 21, Chap. III., 51.
- Manufacturer, The, and the Nation, Chap. IV., 68.
- Manufacturer, The, sacrificed to the interests of the middlemen, 141.
- Merchants and Warehousemen, 146.
- Mesmerism of Free Trade, 189.
- Middleman, The, Chap. VI., 134.
- Middleman, The, anomalies due to, 135, 136.
- Middleman, The, fall of, 161.
- Middleman, The, has no stake in the country, 154.
- Middleman, The, in the produce markets, 159.
- Middleman, The methods of, 154.
- Middleman, The, the enemy of his country, 154.
- Middleman's catechism, a, 135.
- Miles, Mr., cited, 1.
- Mill, T. S., cited, 241.
- Mining Market, The, 96.
- Mongredien, A, cited, 68.
- Monopolies have always existed and will always exist, 152.
- Monopolists, 59, 151.
- Morning Post*, The, attacks Cobden, 177.
- Morley, John, "Life of Richard Cobden," cited, 164, 231.
- Motor Car Industry, 35.
- NATIONAL Balance Sheet, 101.
- Nation's self deception, the, 246.
- Navigation Laws repealed 1849, 207.
- Navy League, the, cited as an example, 237.
- New Industries give foreigners the whip-hand, 128.
- New Markets, 210.
- No Nation can exist without the power of retaliation, 199.
- No Nation can live on the Middleman alone, 162.
- No New Industries, Chapter II., Part II., 21.
- "OPEN-DOOR," the, a synonym for competition, 126.
- "Open-door," the, kills competition, 126.
- Opinion of a Shipowner, 99.
- Opinion of a Stockbroker, 94, 97.
- Over-production an evil of a temporary nature, 75.
- Over-production and under-production, 73.
- PARABLE of the Butchers and the Tailor, 104.
- Parable of the Fellah and the Pasha, 18.
- Parable of the Landlord and his villagers, 138.
- Parable of the Tailor and the provision dealer, 103.
- Patent cases in the law courts, 44.
- Patent law, Mr. Chamberlain's, 40.

- Patent laws, our, 39.
 Peel, Sir Robert, cited, 242.
 Peel, Sir Robert, on competition, 21.
 Peel, Sir Robert, the conversion of, 225.
 People, the, 228.
 Period of diminution of capital has commenced, 71.
 Period of Free Trade leads to under-production, 74.
 Period of Protection leads to over-production, 74.
 Periods of Free Trade, diagram showing, 1.
 Popular Beliefs, 122.
 Prophecy respecting duration of Free Trade, 2.
 Protection, Chapter XII., 231.
 Protection and Revenue, 238.
 Protection, saving effected by, 234.
 Protection stimulates enterprise, 16.
 Protection, what it can accomplish, 232.
- QUANTITY, the determining factor in price, 8.
- R., Mr., of Berlin, 37.
 Railways, our, 144.
 Raising the Workman, 179.
 Reaction of Industries and Invention, 31.
 Reciprocity and Retaliation, Chap. IX., 198.
 Reciprocity, Lord Salisbury on 198.
 Relations with Foreign Powers, 201.
- Repeal of our Navigation Laws, 207.
 Retaliation and Reciprocity, Chap. IX., 198.
 Retaliation by Great Britain might involve war, 204.
 Return showing Imports and Exports under Free Trade, 1856-1900, 85, 86.
 Revenue, 240.
 Right of Combination, 168.
 Right of Retaliation, 204.
- SACRIFICES should be borne by the nation, 58.
 Salisbury, Lord, on the apostles of Free Trade, 3.
 Salisbury, Lord, compared with former Premiers, 219.
 Salisbury, Lord, on reciprocity, 198.
 Salisbury, Lord, on dangers threatening, 217.
 Scientific research, 29.
 Second Period of Free Trade, 1876-1900, 1.
 Securities, are we transferring our, 97.
 Shipowner, opinion of a, 99.
 Shipping, our, 142.
 Shipping, are we extending our, 99.
 Skill of the Workman, the, 170.
 Smith, Adam, cited on the Act of Navigation, 206.
 Social Promotion, the, 179.
 Stalking Horses, 26.
 Statistics, Imports and Exports under Free Trade, 1856-1900, 85, 86.
 Stockbroker, the opinion of a, 94.

- Strike of Engineers, 1898, 169.
- Surroundings, healthy and clean, 181.
- TABLE showing British Imports and Exports under Free Trade, 1856-1900, 85, 86.
- "Tailor and the provision dealer," Cobden's story of the, 103.
- Tax on Capital, a, 109.
- Taxation, 107.
- Technical Education, 63.
- Telephone industry, history of the, 42.
- Telephone, infringements, 44, 45.
- Theories accepted by free traders :
- Cheapness for the consumer, 115.
 - Each man makes that thing which he can make best and cheapest, 51.
 - Exports pay for Imports, 4, 68.
 - Free Trade does not bring mere cheapness. It brings abundance, 117.
 - In a Free Trade country things can be made cheaper than in a protected county, 4.
 - Trade follows the Flag, 200.
- Third period of Free Trade, 1901-1912, 1.
- "Trade follows the flag," 206.
- Trade Unions, aims of the, 185.
- Trade Unions, author's attitude towards, 187.
- Trade Unions denounced by Cobden, 164.
- Trade Unions fail against Free Trade, 168.
- Trusts, the outcome of the exuberance of success, 191.
- Tubing, why not made in England, 37.
- UNDER-PRODUCTION, 75.
- United States of America, 203.
- United States of America, indications of approaching change of policy, 203.
- United States of America, protection must be relaxed in, 79.
- Untruths, 157.
- WANT of Enterprise due to Free Trade, 25.
- Warehousemen and Merchants, our, 146.
- Waste, 129.
- Watches, cost of manufacture of, 9, 10, 11, 12.
- Wellington, Duke of, on Agriculture, 193.
- What has Free Trade done for the working man, 165.
- What Protection will accomplish, 232.
- What the working man wants, 166.
- When shall we have Protection? 235.
- When the disadvantages began, 54.
- Working man, the, Chap. VII., 164.
- Workmen, why they have not called for Protection, 189.

